

# A NEW HORIZON



**BKH 2018**

## **Investor Meetings**

March 2019



# Forward Looking Statements

## COMPANY INFORMATION

### Black Hills Corporation

P.O. Box 1400  
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NYSE Ticker: **BKH**  
[www.blackhillscorp.com](http://www.blackhillscorp.com)

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This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Item 1A of Part I of our 2018 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings in periodic applications to recover costs for capital additions, plant retirements and decommissioning, fuel, transmission, purchased power and other operating costs, and the timing in which new rates would go into effect and the results of regulatory proceedings regarding the effects of the TCJA;
- Our ability to complete our capital program in a cost-effective and timely manner;
- Our ability to execute on our strategy, including: achieving long-term EPS growth rate above the utility industry average, targeting a 50 to 60 percent dividend payout ratio and continuing our track record of continuous annual dividend increases;
- Our ability to execute our utility jurisdiction simplification plan;
- The impact of future governmental regulation; and
- Other factors discussed from time to time in our filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time-to-time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

# Compelling Utility Investment

Natural gas and electric utility focused on long-term total shareholder returns

## Customer Focused Strategy Delivers Growth Opportunities

- Delivering strong long-term total shareholder returns
  - Long-term EPS growth above utility industry average
    - ◆ Strong capital investment opportunity to serve customers with incremental growth opportunities
    - ◆ Diverse balance of electric and gas utilities across eight states
  - Dividend payout target of 50 to 60 percent
  - Track record of 49 consecutive annual increases\*

## Solid Financial Position

- Committed to maintaining strong investment grade credit ratings
- Metrics improved with November 2018 equity unit conversion

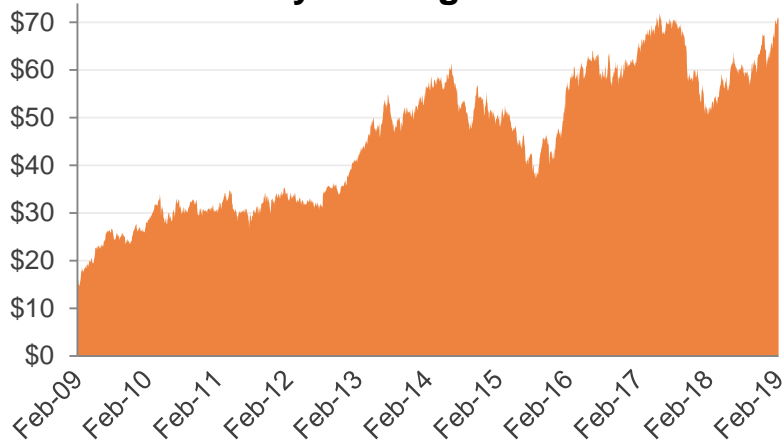
\* \$2.02 per share annual equivalent rate for 2019 represents 49 consecutive annual dividend increases



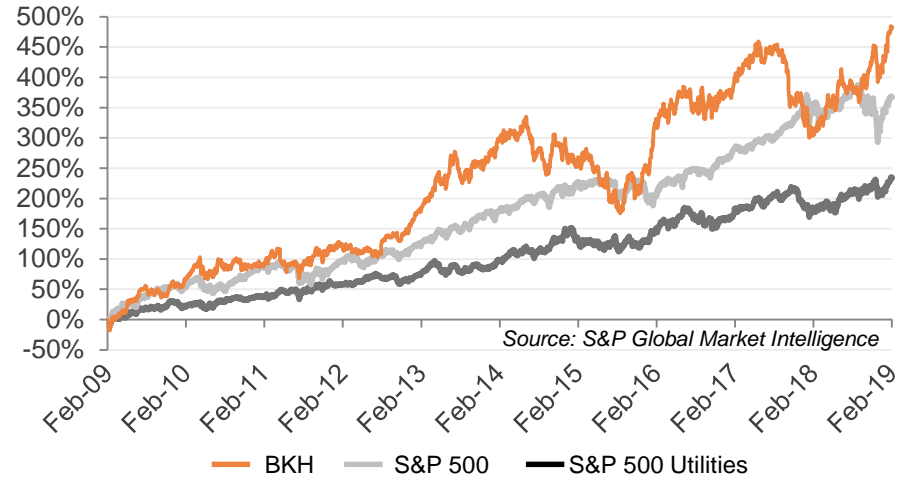
# Delivering Long-term Value for Shareholders

Focused on strong long-term total shareholder return

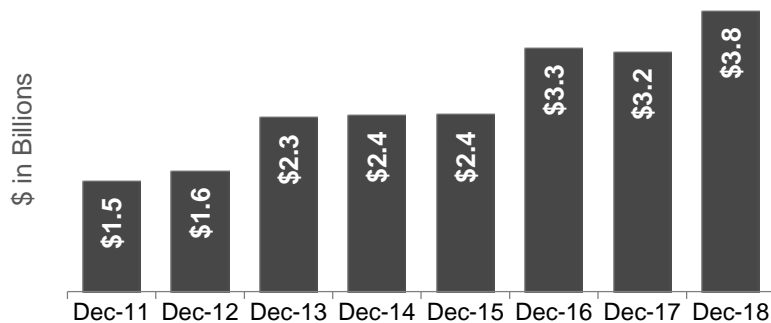
### BKH Daily Closing Stock Price



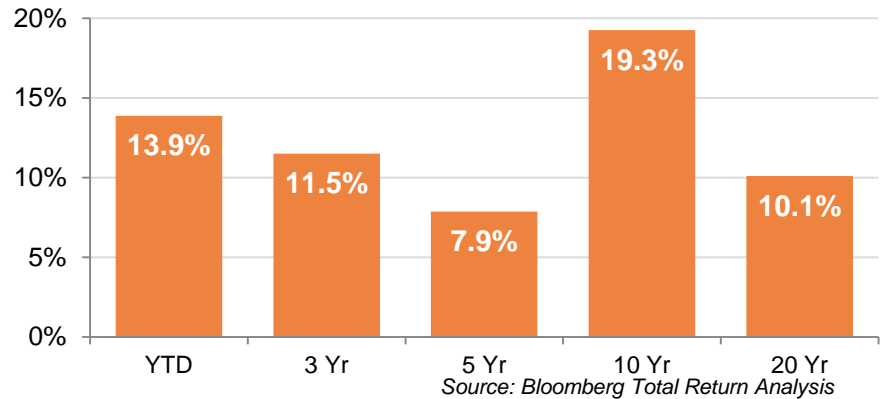
### 10-year Total Shareholder Return



### Market Capitalization



### Annualized Total Return \*



\* Average annualized total returns from period ending Feb. 28, 2018, as reported by Bloomberg Financial's Total Return Analysis; assumes reinvestment of dividends in BKH stock and considers dividends paid and stock splits. Black Hills Corp. does not guarantee the accuracy of these calculations, does not suggest our stock price will perform in the future comparable to the past, and does not provide this information as investment advice.

# Company Overview

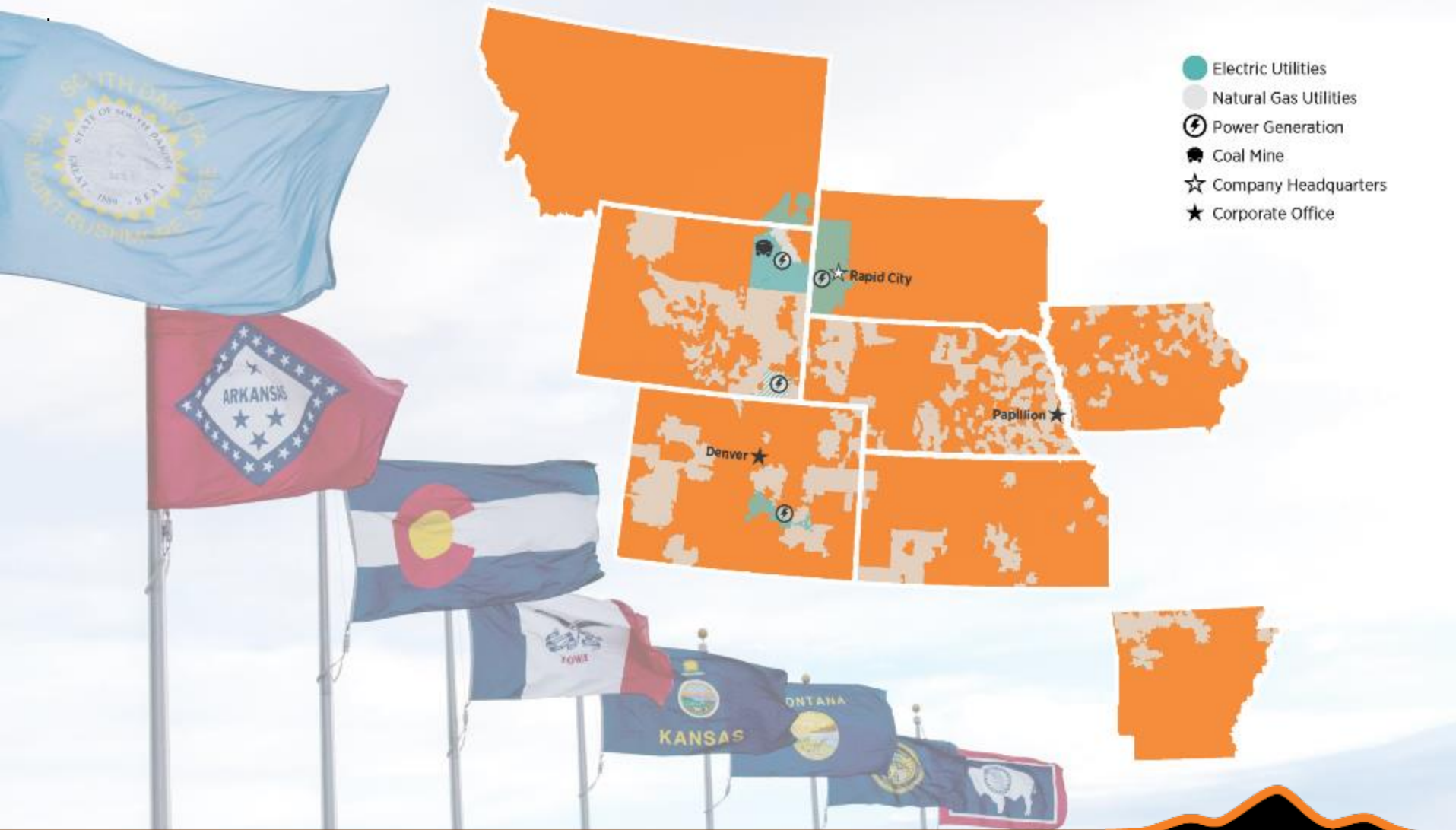


Overhead view of trading floor at NYSE.



# Black Hills Corporation Overview

**Black Hills Corporation is a customer focused, growth-oriented utility company with a tradition of exemplary service and a vision to be the energy partner of choice.** Based in Rapid City, South Dakota, the company serves 1.27 million electric and natural gas utility customers in more than 820 communities in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. Employees partner to produce results that *improve life with energy*.



# 2018 Fourth Quarter Highlights

## Electric Utilities

- On Dec. 17, South Dakota Electric and Wyoming Electric filed for approval of new, voluntary tariffs, known as Renewable Ready Service Tariffs
  - Filed joint application for approval to construct \$57 million, 40-megawatt Corriedale Wind Energy Project near Cheyenne, Wyoming; facility will be jointly owned and constructed and placed in service in 2020
- On Nov. 30, Wyoming Electric submitted its 2018 integrated resource plan to the Wyoming Public Service Commission recommending a balanced mix of generation resources including coal, natural gas, and renewable resources, such as wind and solar
  - Recommends purchase of Wygen I power plant as least cost resource; requires approvals from WPSC and Federal Energy Regulatory Commission
  - Expect process to be complete by year-end
- On Oct. 31, Wyoming Electric received approval for comprehensive, multi-year, multi-docket settlement resolving all outstanding issues related to its Power Cost Adjustment
  - Resolves several years of disputed issues related to PCA dockets; agreed to provide a total of \$7 million in customer credits through the PCA in 2018, 2019 and 2020
  - Variable cost adjustment of Wygen I power purchase agreement with Black Hills Wyoming (an affiliate company) will escalate by 3 percent annually through 2022

# 2018 Fourth Quarter Highlights

## **Electric Utilities** *continued*

- In the fourth quarter, Colorado Electric and Wyoming Electric set new all-time winter peak loads
  - Colorado - 313 megawatts on Oct. 3, surpassing 310 megawatts in February 2011
  - Wyoming - 238 megawatts on Dec. 6, surpassing 230 megawatts in December 2016
    - ◆ On July 10, set all-time peak load of 254 megawatts

## **Gas Utilities**

- On Feb. 1, Colorado Gas filed a rate review proposal with Colorado Public Utilities Commission to consolidate rates, tariffs and services for its two existing gas distribution territories; also requested new rider mechanism to recover integrity investments
  - Legal consolidation and combination of Black Hills' two Colorado utilities into a new company called Black Hills Colorado Gas, Inc. completed in December
- On Nov. 20, Wyoming Gas received approval from the Wyoming Public Service Commission to construct \$54 million, 35-mile Natural Bridge pipeline to enhance supply reliability and delivery capacity for 57,000 customers in central Wyoming; expected to be in service in late 2019
- On Oct. 15, Arkansas Gas implemented new rates approved on Oct. 5 to recover over \$160 million of investment to replace, upgrade and maintain over 5,500 miles of gas pipelines in Arkansas
  - \$12 million increase in annual revenue based on 9.61 percent return on equity and capital structure of 49.1 percent equity and 50.9 percent debt



# 2018 Fourth Quarter Highlights

## Power Generation

- On Dec. 11, Black Hills Electric Generation completed purchase of 50 percent ownership interest in 29-megawatt Busch Ranch I wind farm located near Pueblo, Colorado, from a third party for \$16 million
  - Colorado Electric, an affiliate company, owns the remaining 50 percent and operates the facility
  - The acquired 14.5 megawatts of energy from purchased interest in wind farm is contracted to Colorado Electric through a power purchase agreement expiring in 2037

## Corporate Activities

- On Jan. 30, 2019, board of directors declared a quarterly dividend of \$0.505 per share
  - Equivalent annual rate of \$2.02 per share represents 49<sup>th</sup> consecutive annual increase
  - In November, increased quarterly dividend 6.3 percent, the third quarterly increase of 6 percent or more since 2016

# 2018 Fourth Quarter Highlights

## Corporate Activities *continued*

- Effective Dec. 31, David Emery retired as CEO after 29 years of service to Black Hills - 15 years as CEO, with 14 of those years as chairman of the board
  - Emery will continue to serve company as executive chairman until May 1, 2020
  - Linn Evans, president and chief operating officer and 17-year veteran of the company, was appointed president and CEO effective Jan. 1, 2019; also appointed to board of directors effective Nov. 1, 2018
  - Leadership transition result of comprehensive, multi-year, board-led succession planning process
- On Nov. 1, Black Hills issued 6.37 million shares of new common stock related to conversion of 5.98 million equity units issued in 2015 to partially fund acquisition of SourceGas
  - Company had approximately 59.97 million shares of common stock outstanding after conversion; gross proceeds of \$299 million used to repay \$250 million senior notes and pay down short-term debt

# Financial Update



*The Cheyenne Prairie Generating Station, looking east at sunrise. The facility is owned by two Black Hills Corporation entities and serves customers in Wyoming and South Dakota.*



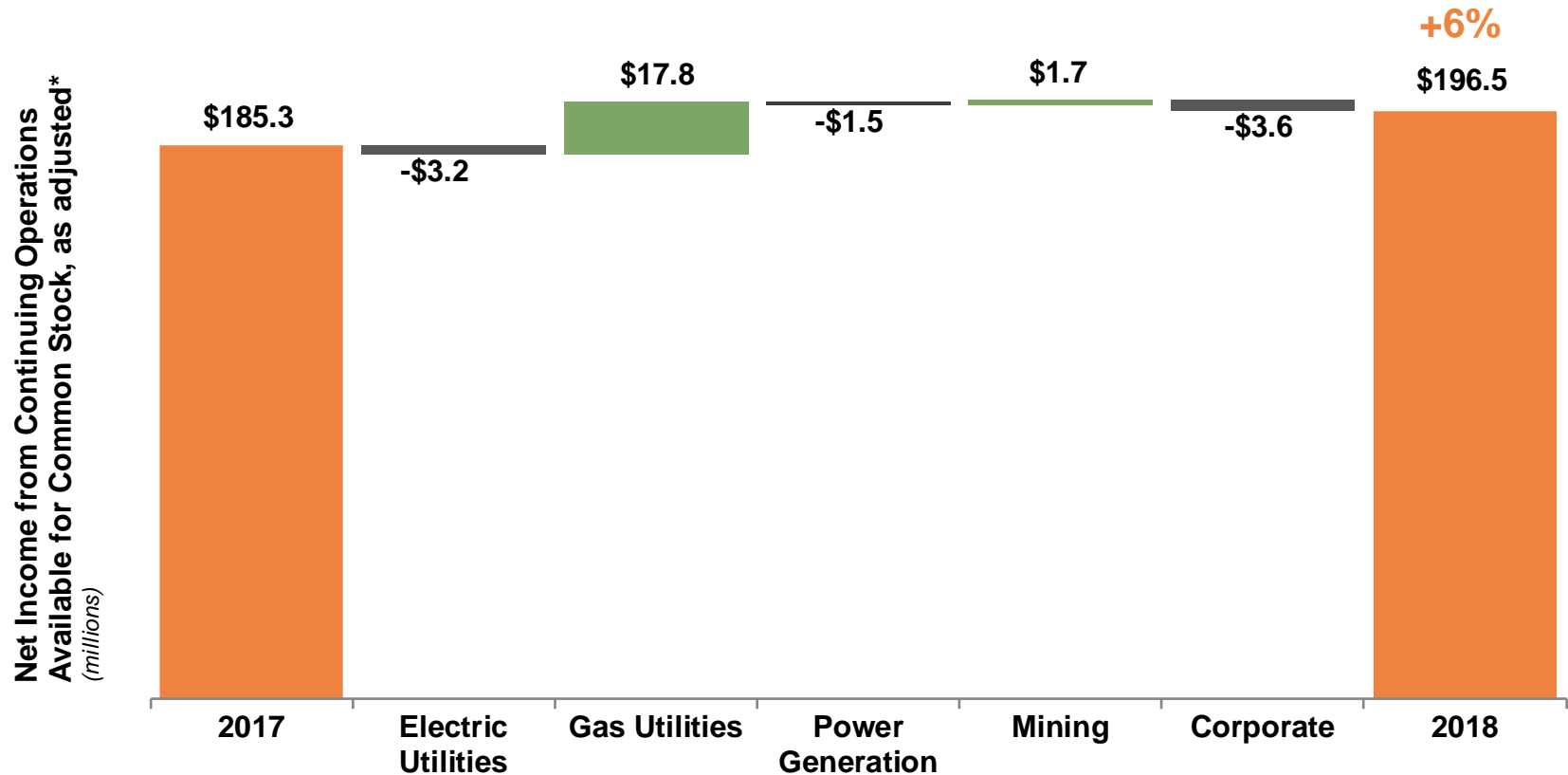
# Earnings Per Share Analysis

	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Q4 2018</b>	<b>FY-2017</b>	<b>FY-2018</b>
<b>Net Income from continuing operations available for common stock (GAAP)</b>	<b>\$ 1.17</b>	<b>\$ 2.50</b>	<b>\$ 0.45</b>	<b>\$ 0.32</b>	<b>\$ 1.51</b>	<b>\$ 3.52</b>	<b>\$ 4.78</b>
<u>Adjustments (after tax)</u>							
Acquisition costs	0.02	—	—	—	—	0.05	—
Tax reform and other tax items	(0.21)	0.04	—	0.10	(0.06)	(0.21)	0.07
Legal restructuring - income tax benefit	—	(0.91)	—	—	(0.40)	—	(1.31)
<b>Total adjustments</b>	<b>(0.19)</b>	<b>(0.87)</b>	<b>—</b>	<b>0.10</b>	<b>(0.46)</b>	<b>(0.16)</b>	<b>(1.24)</b>
<b>Net Income from continuing operations available for common stock, as adjusted (Non-GAAP)*</b>	<b>\$ 0.98</b>	<b>\$ 1.63</b>	<b>\$ 0.45</b>	<b>\$ 0.42</b>	<b>\$ 1.05</b>	<b>\$ 3.36</b>	<b>\$ 3.54</b>

\* Non-GAAP measures; reconciled to GAAP in Appendix

# 2018 Full Year Financial Highlights

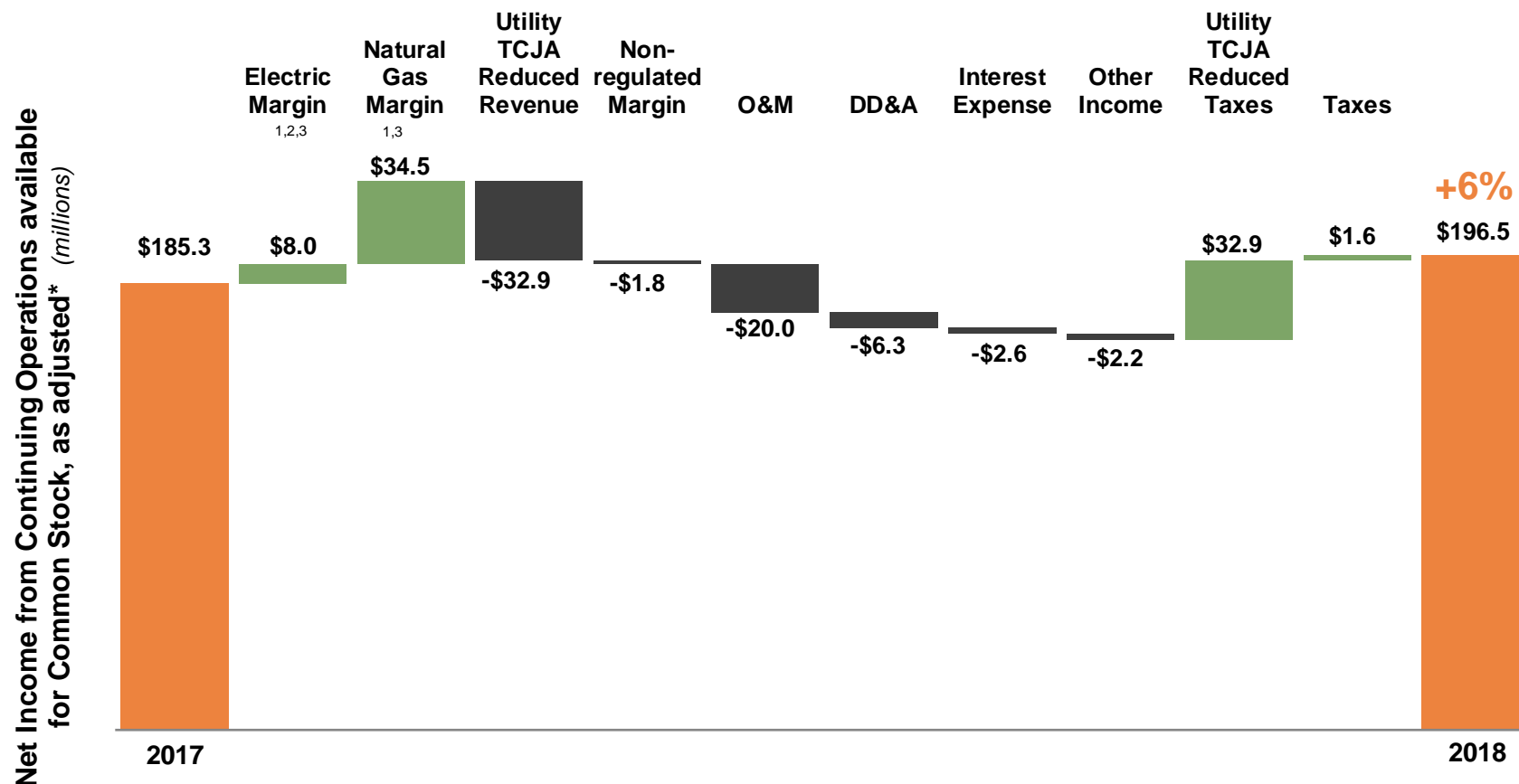
## Change in Adjusted Earnings by Segment\*



\* Non-GAAP measures; reconciled to GAAP in Appendix

# 2018 Full Year Financial Drivers

(net of tax)



\* Non-GAAP measure; reconciled to GAAP in Appendix

<sup>1</sup> Excludes reduced revenue from Tax Cuts and Jobs Act (TCJA)

<sup>2</sup> Negative impact of \$2.6 million from WYE PCA settlement

<sup>3</sup> Utility margin positive impact of \$13.5 million (\$2.8 million electric and \$10.7 million natural gas) net of tax, related to weather

Note: minor difference in total due to rounding

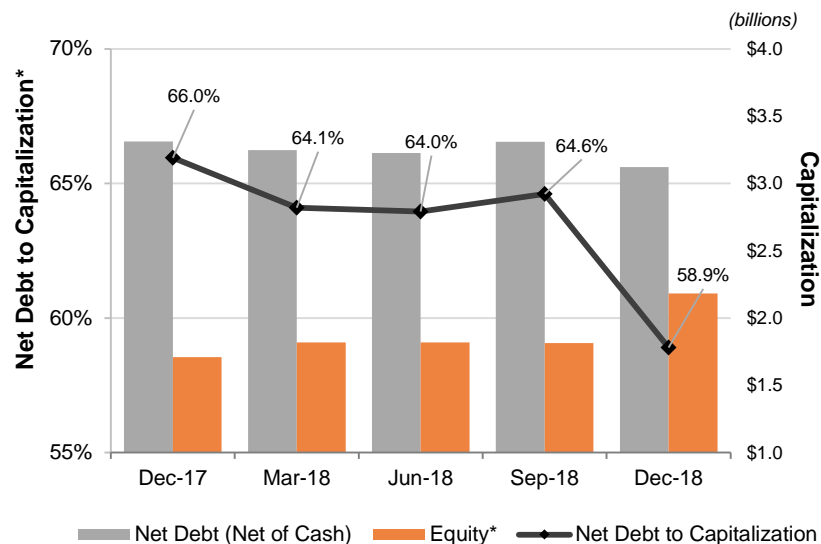


# Solid Financial Position

## Committed to Strong Investment-Grade Credit Ratings

S&P	Moody's	Fitch
<b>BBB+</b>	<b>Baa2</b>	<b>BBB+</b>
<i>Stable outlook</i>	<i>Stable outlook</i>	<i>Stable outlook</i>
Upgraded from BBB Aug. 9, 2018	Affirmed Dec. 12, 2018	Affirmed Oct. 11, 2018

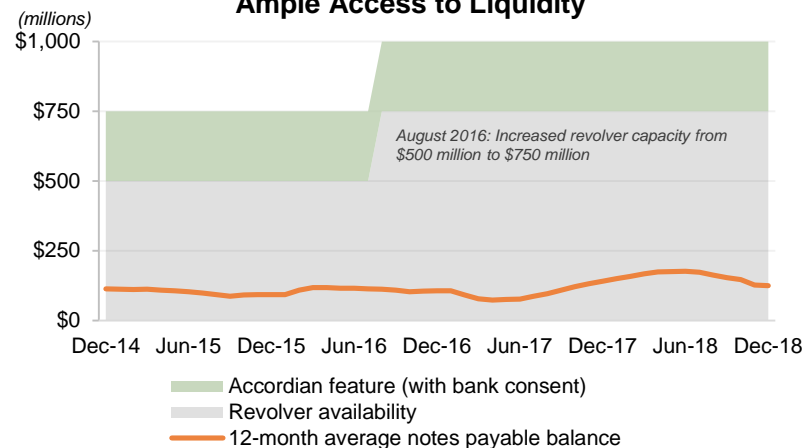
## Improved Capital Structure



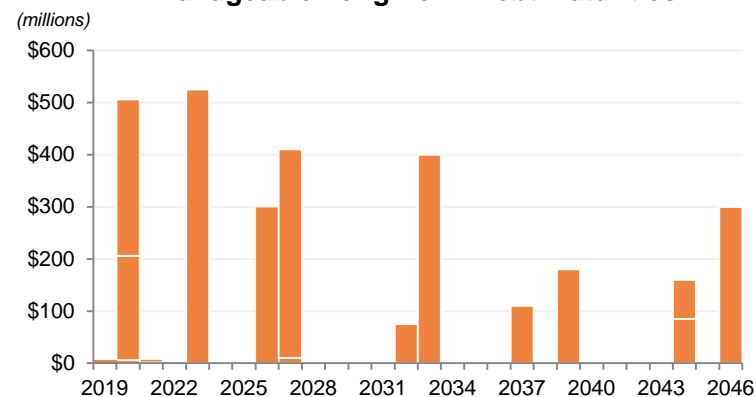
\* Equity excludes noncontrolling interest. see Appendix for detailed capital structure

## Strong Liquidity and Debt Profile

### Ample Access to Liquidity

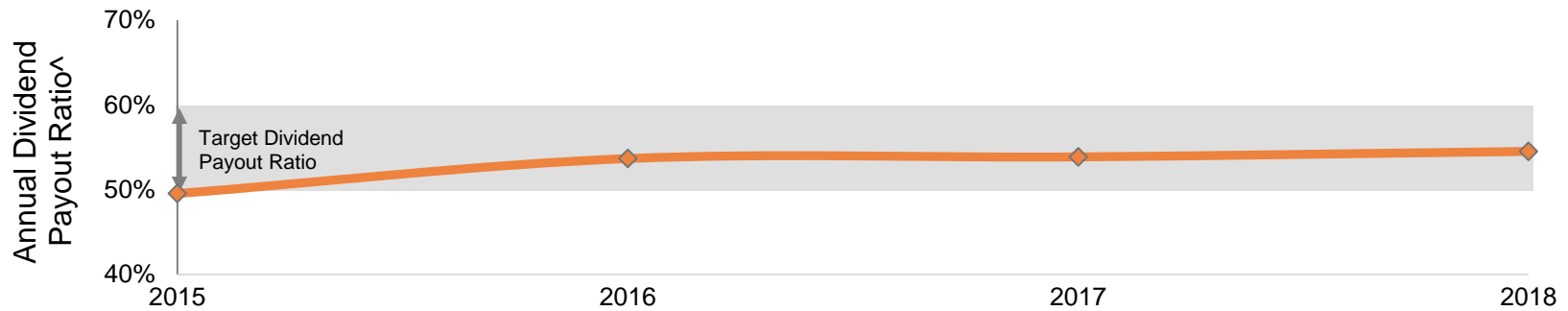
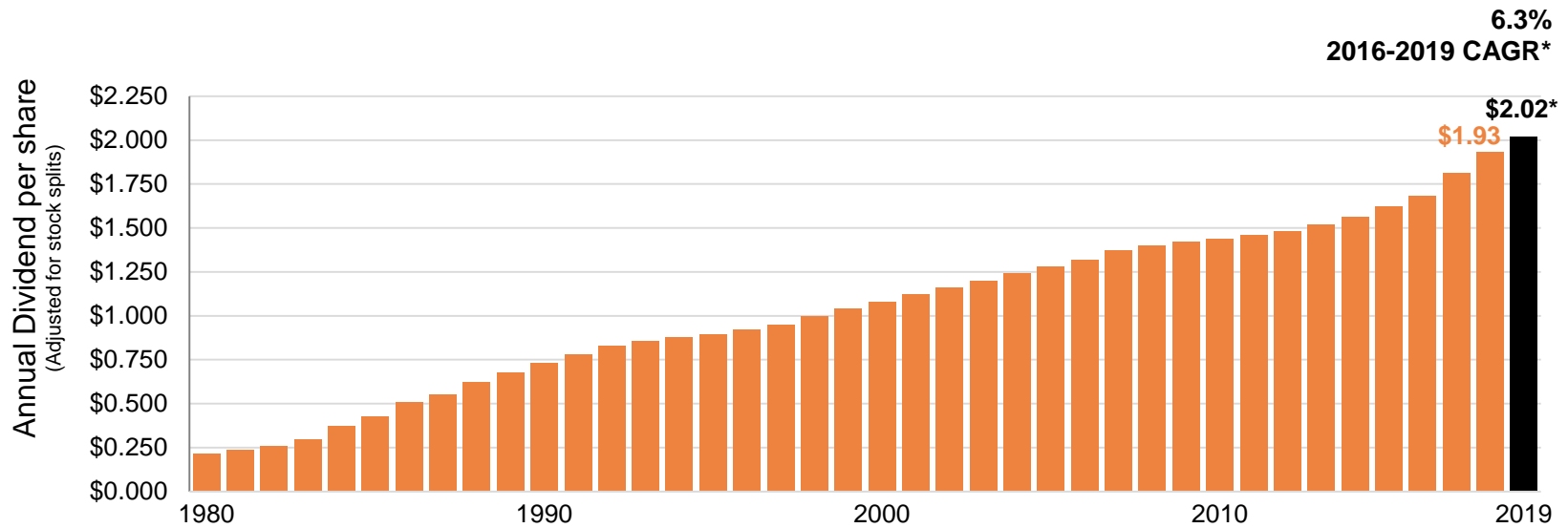


### Manageable Long-Term Debt Maturities



# Strong Dividend Growth Track Record

Dividend Increased for 49 Consecutive Years



\* Board of directors on Jan. 30 approved a quarterly dividend of \$0.505 per share, equivalent to an annual rate of \$2.02 per share

<sup>^</sup> Annual dividend payout ratio is calculated by dividing annual dividend per share by earnings from continuing operations, as adjusted, per share, a non-GAAP measure - reconciled to GAAP in Appendix

# Strategic Overview



*Our newly constructed 3.5 mile natural gas pipeline delivers biogas, a renewable energy resource, from the Sarpy County Landfill to fuel homes and businesses in Sarpy County, Nebraska.*



# Strategic Objectives

Customer-focused initiatives drive strong long-term total shareholder returns

## PROFITABLE GROWTH

Achieve consistent growth that creates value.

**EARNINGS:** Lead industry peers in earnings growth

**DIVIDEND:** Increase annual dividend, extending industry-leading dividend history

**CREDIT RATING:** Maintain solid investment-grade senior unsecured credit rating

**ASSET DEVELOPMENT:** Grow our core utility businesses through disciplined investments that meet customer needs, exceed our established hurdle rates and are accretive to earnings

## VALUED SERVICE

Deliver reliable, highly valued products and services.

**CUSTOMER:** Provide quality products and services at a cost that effectively meet or exceed customer expectations with increased use of technology; effectively market these products and services to customers; and, share information to create understanding of energy-related issues

**COMMUNITIES:** Be a partner in growing the economies of the communities we serve

## BETTER EVERY DAY

Continuously improve to achieve industry leading results.

**OPERATIONAL PERFORMANCE:** Achieve top-tier operational performance in a culture of continuous improvement

**EFFICIENCY:** Continuously engage employees to identify and pursue efficiencies, and to simplify or eliminate unnecessary processes. Sustain annual improvements to metrics comparing costs as a percent of gross margin

**EFFECTIVENESS:** Identify the right projects and tools that allow employees to work effectively every day

**MEASUREMENT:** Benchmark our costs and processes with meaningful metrics to assist with real-time business management assessment of results and accountability

## GREAT WORKPLACE

Promote a workplace that inspires individual growth and pride in what we do.

**ENGAGEMENT:** Achieve status as one of the “100 Great Places to Work” as measured by the Great Places to Work Institute

**DIVERSITY:** Increase workforce diversity to achieve improved performance and the innovations that come from inclusiveness

**EMPLOYEE DEVELOPMENT:** Establish robust development options enabling increased performance while preparing employees for additional career opportunities

**TEAM WORK:** Maintain top quartile results within a professional, and productive work environment

**SAFETY:** Strive to be the safest utility company in the U.S. by emphasizing our culture to work and live safely every day

# Strategy Execution

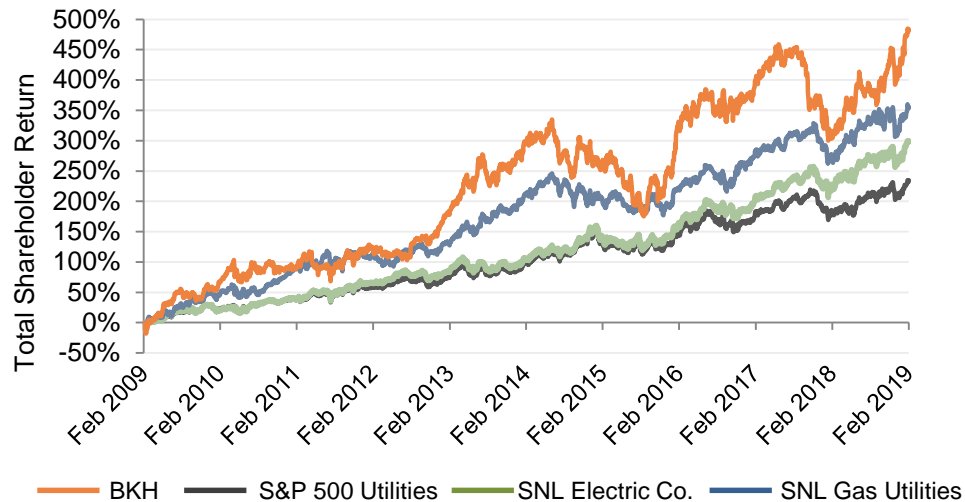
Customer-focused initiatives drive strong long-term total shareholder returns



- **Earnings Growth** – long-term EPS growth rate above utility industry average
- **Dividend Payout Ratio** – target 50 to 60 percent
- **Dividend Increase** – continue track record of 49 consecutive annual increases\*

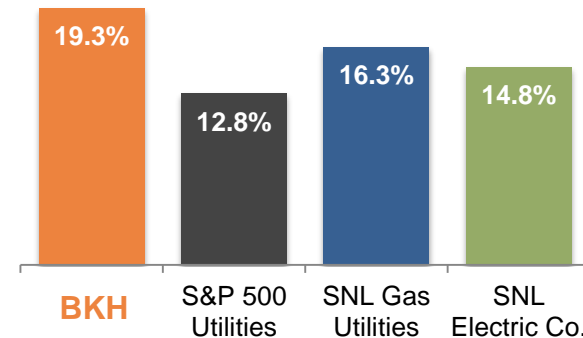
**Long-term Total Shareholder Return\*\***

(Feb. 28, 2009 to Feb. 28, 2019)



**Annualized Total Shareholder Return\*\***

(Feb. 28, 2009 to Feb. 28, 2019)



\* Annualized dividend rate of \$2.02 in 2019 represents 49 consecutive years of dividend increases

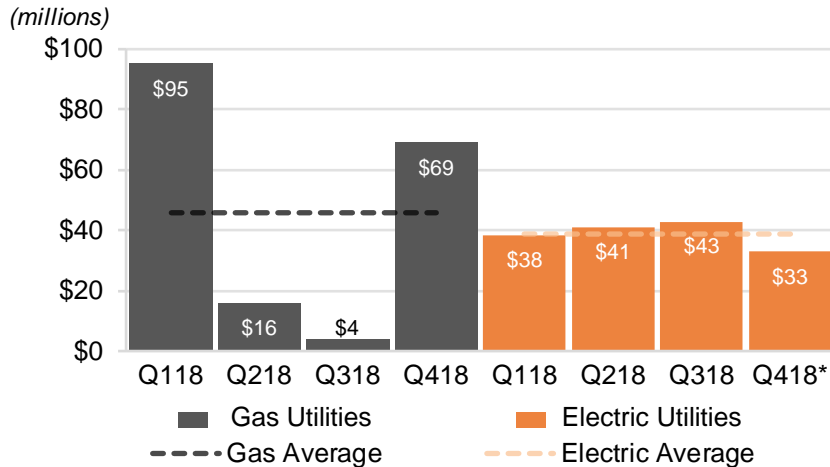
\*\* Source: S&P Market Intelligence as of Feb 28, 2019; annualized return is 10-year compound annual growth rate since Feb. 28, 2009

# Strength in Diversity

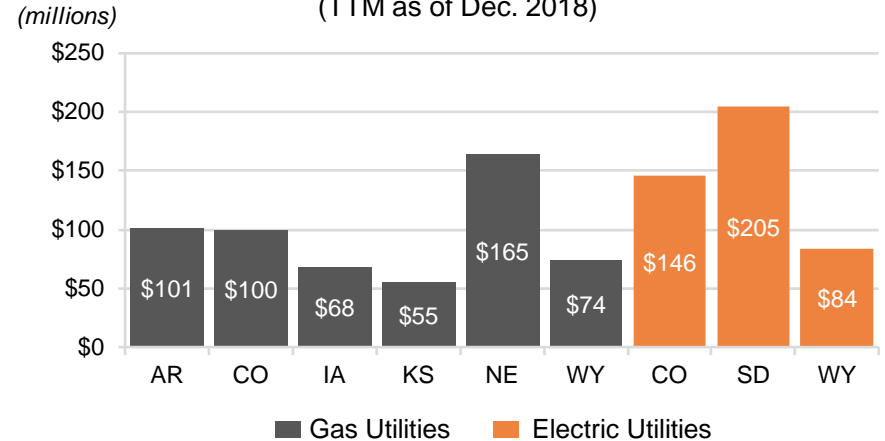
Reduces business risk and drives more predictable earnings



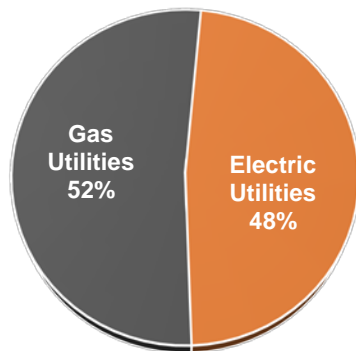
### Utility Operating Income



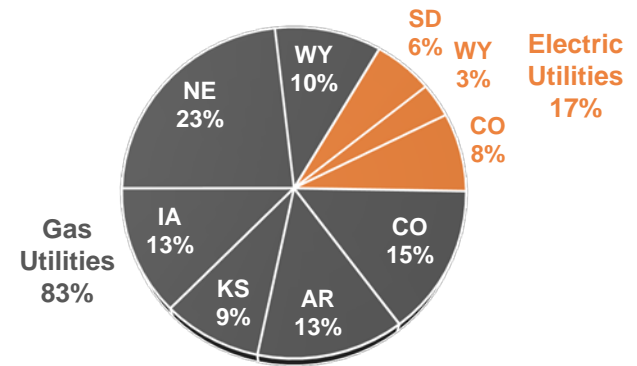
### Gross Margin by State<sup>2\*\*</sup> (TTM as of Dec. 2018)



### Utility Rate Base<sup>1</sup>



### Percent of Customers by State<sup>2</sup>



\* Non-GAAP measure, reconciled to GAAP in Appendix \*\* Non-GAAP measure

<sup>1</sup> Estimated utility rate base as of Dec. 31, 2018; see Appendix for more detail

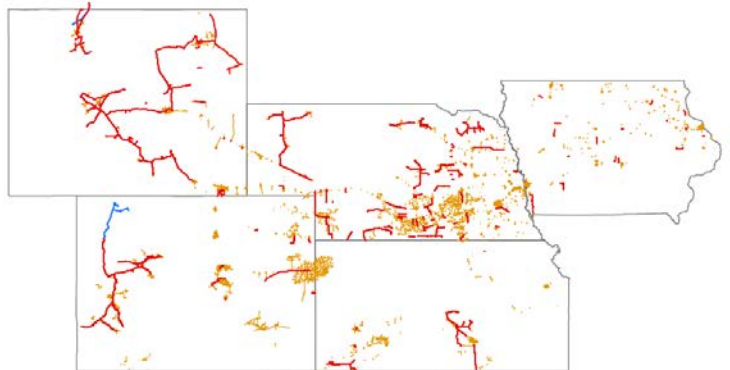
<sup>2</sup> Montana data included in South Dakota totals

Note: TTM – trailing 12 months

# Strategic Execution Delivers Opportunities

Acquisitions created larger transmission and distribution systems

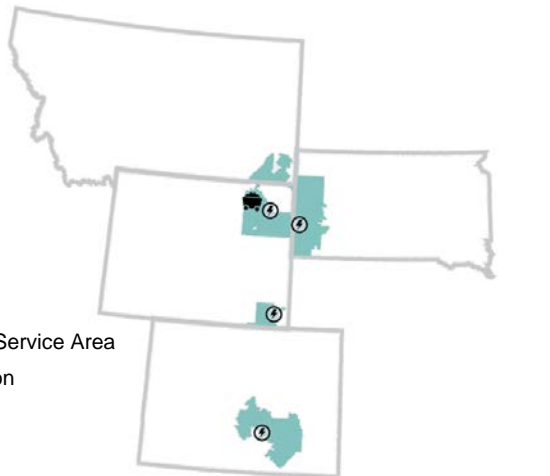
PROFITABLE  
GROWTH



- Transmission Pipeline
- Gathering Pipeline
- Natural Gas Distribution Service Area



**46,000-mile** natural gas gathering, storage, transmission and distribution system



- Electric Utilities Service Area
- ⚡ Power Generation
- ⛛ Coal Mine



**1.1 gigawatts\*** of electric generation and **9,000-mile** electric transmission and distribution system

\* Excludes 49.9 percent ownership in Colorado IPP owned by a third party

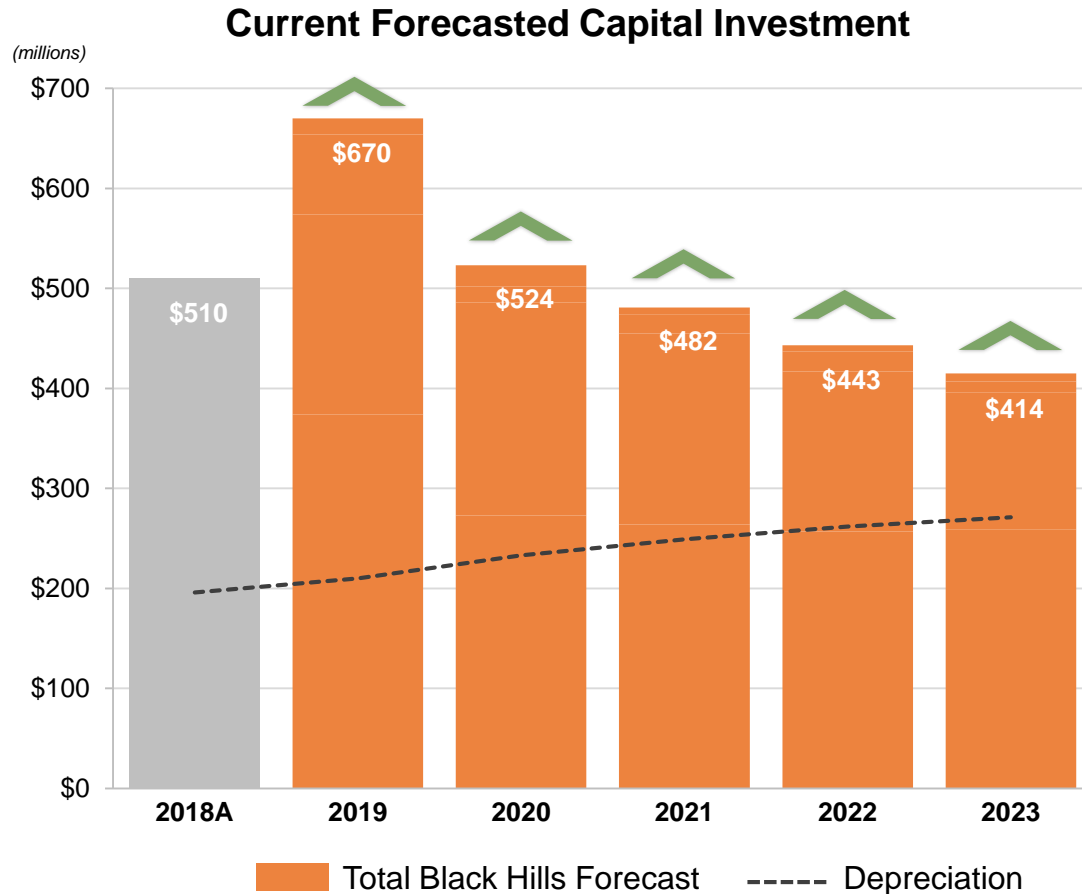
Note: Information from 2018 Form 10-K



# Capital Investment Drives Growth



- Current five-year capital forecast >\$2.5 billion
- Additional customer-driven opportunities likely



Additional identified capital opportunities<sup>^</sup>

Rate base growth: Investment well in excess of depreciation

Note: See Appendix for detail by segment and category and utility investment by recovery

<sup>^</sup> Identified projects being evaluated and refined for timing and cost; regulatory approvals may be required

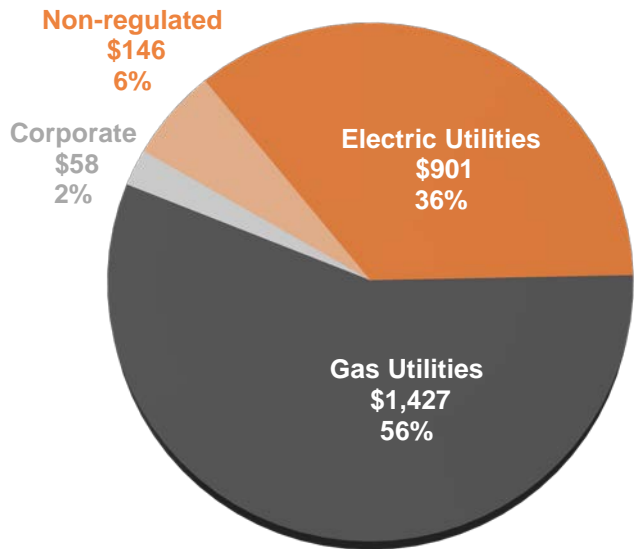
# Timely Utility Investment Recovery



**>90% of \$2.5 billion forecasted capital investment in utilities**

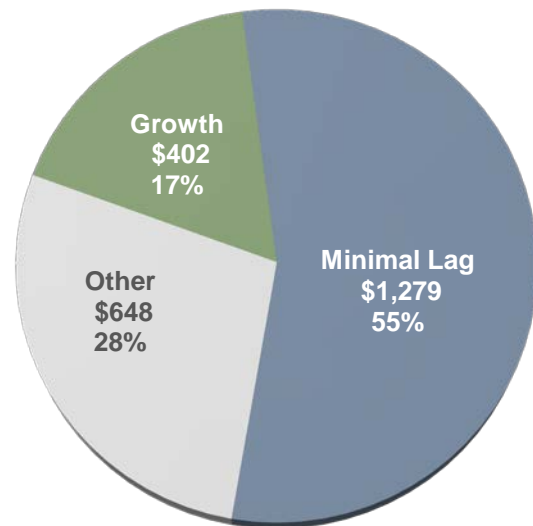
**>70% of \$2.3 billion of utility investment with accelerated investment recovery**

**Forecasted Capital Investment By Segment**



**2019-2023**  
(\$ in millions)

**Forecasted Utility Capital Investment Recovery\***



**2019-2023**  
(\$ in millions)

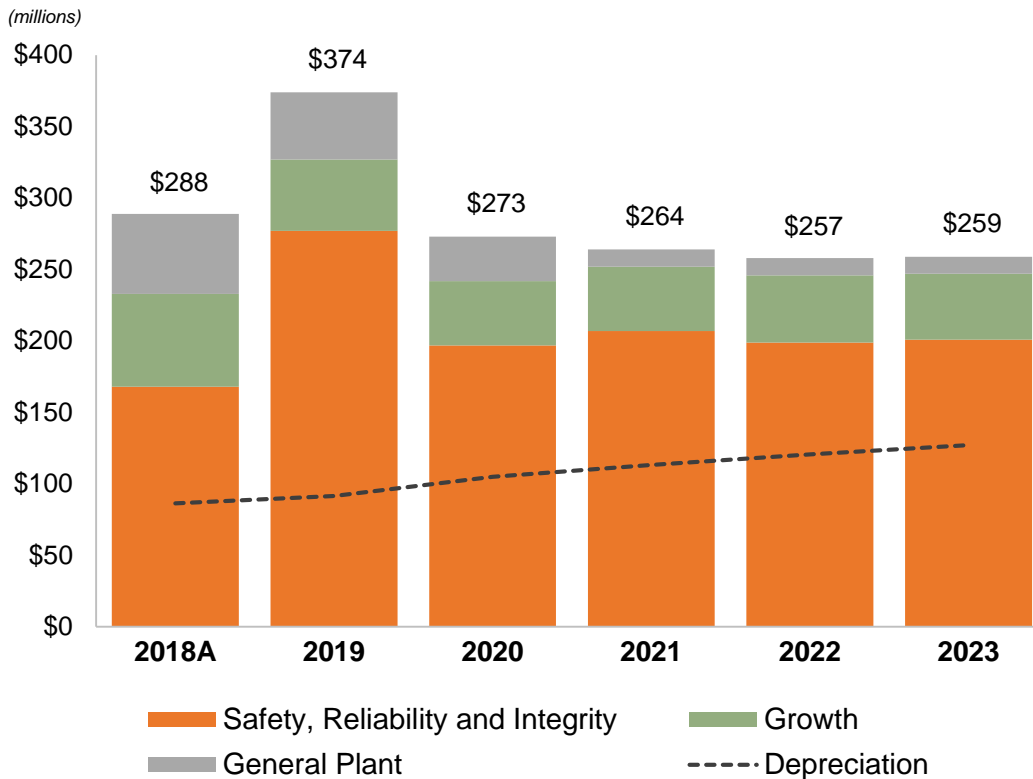
\* Growth Capital - generates immediate revenue on customer connections  
 Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Note: Difference in total percentages and charts due to rounding

# Gas Utilities Investing in Safety and Reliability

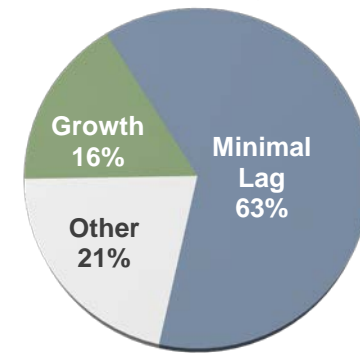
Five-year capital spending forecast of \$1.4 billion



### Forecasted Capital Investment By Type

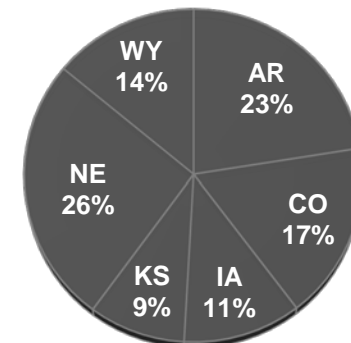


### Forecasted Capital Investment Recovery\*



2019-2023

### Forecast by State



2019-2023

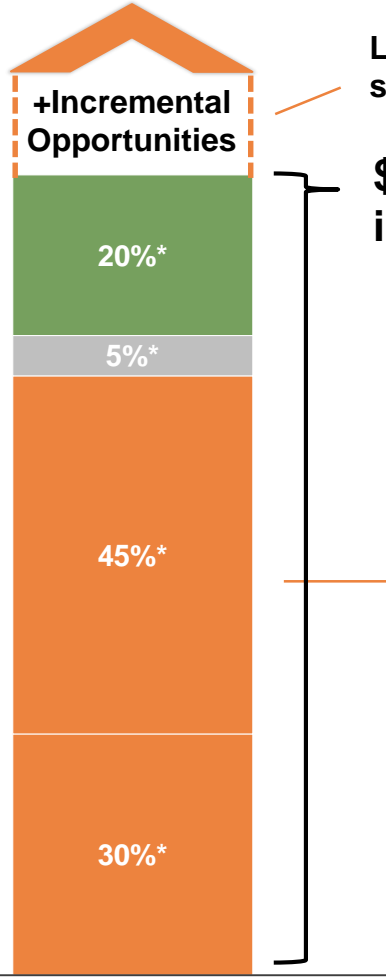
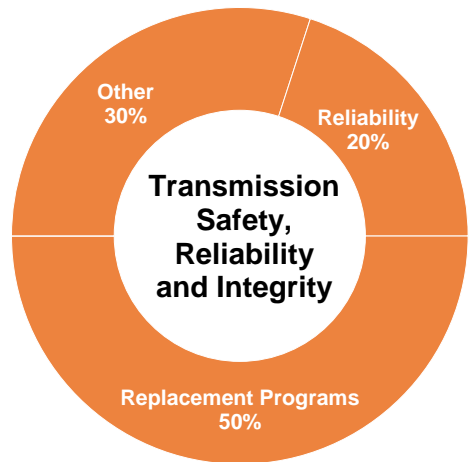
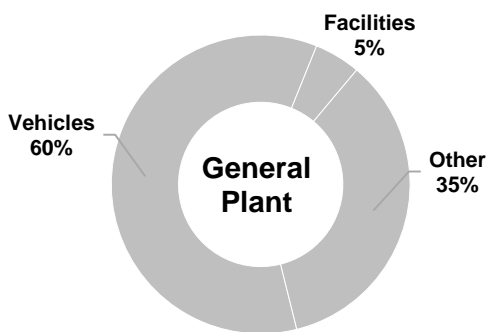
\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods

# Gas Utilities Recurring Capital Outlook

Strong Long-term Annual Investment Plan



## Normal Customer Growth



Large pipeline and storage projects for safety, reliability and customer additions

**\$225-\$250 million annual base investment in Gas Utilities**



## Natural Gas Projected Long-term Annual Capital Investment

\* Percent of total annual investment range

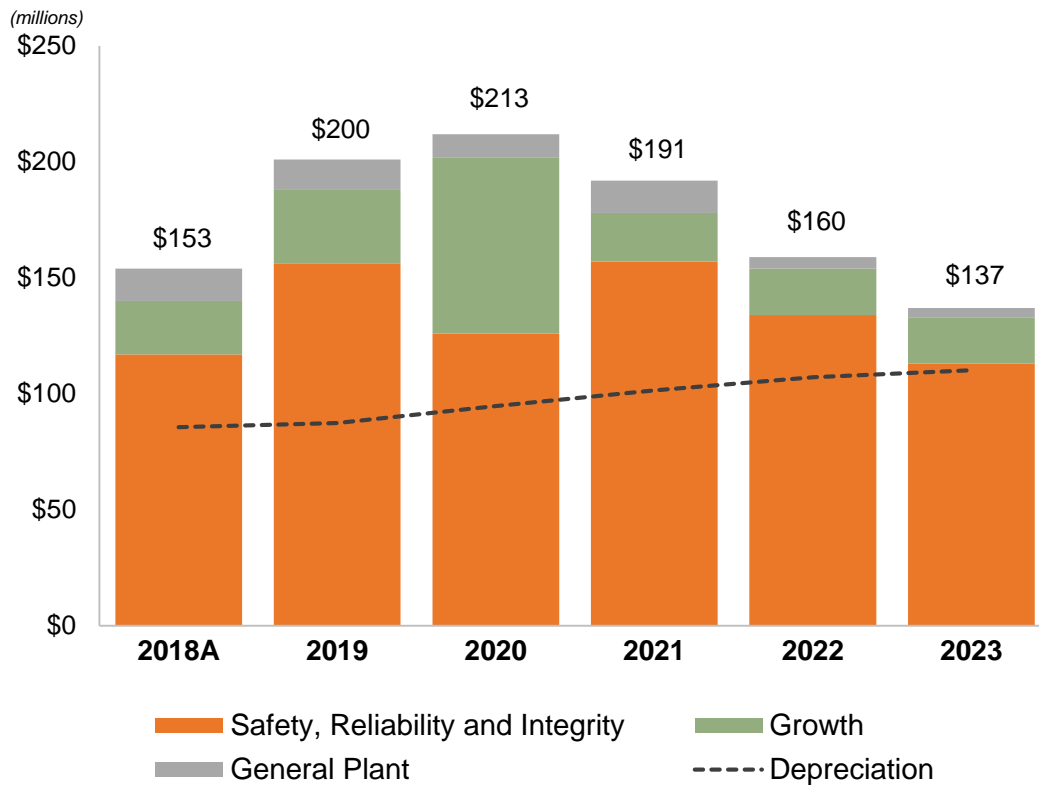


# Electric Utilities Investing in Safety and Reliability

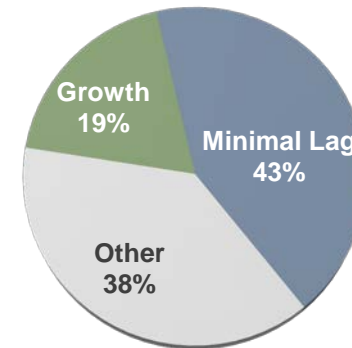
Five-year capital spending forecast of \$0.9 billion



### Forecasted Capital Investment By Type

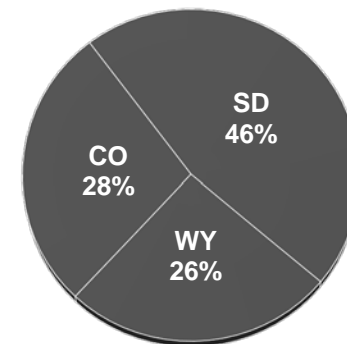


### Forecasted Capital Investment Recovery\*



2019-2023

### Forecast By State

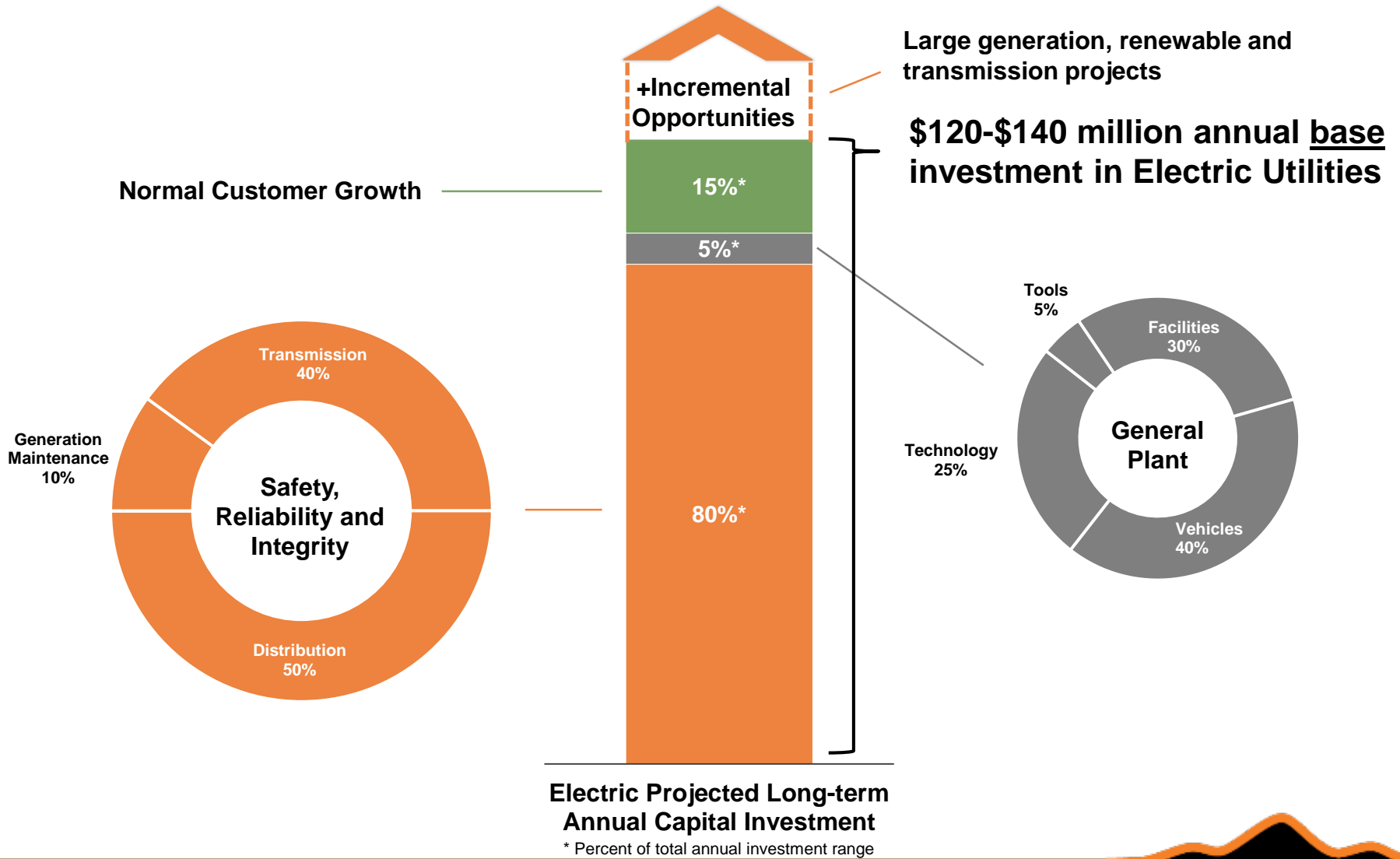


2019-2023

\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods

# Electric Utilities Recurring Capital Outlook

Strong Long-term Annual Investment Plan



# Regulatory Update

VALUED  
SERVICE

## Rate Review Filings

Jurisdiction	Filing Date	Annual Revenue Increase	ROE	Equity / Debt	Status
BH Colorado Gas	2-1-19	\$2.5M* and integrity rider	10.3%*	50.1% / 49.9%*	Filed – in process
Arkansas Gas	12-15-17	\$12.0M	9.61%	49.1% / 50.9%	Completed; new rates effective Oct. 15, 2018
Wyoming Gas (NW WY)	11-17-17	\$1.0M	9.6%	54.0% / 46.0%	Completed; new rates effective Sept. 1, 2018
Rocky Mountain Natural Gas (RMNG)	10-3-17	\$1.1M	9.9%	46.6% / 53.4%	Completed; new rates effective June 1, 2018

## Passing Tax Reform Benefits To Customers

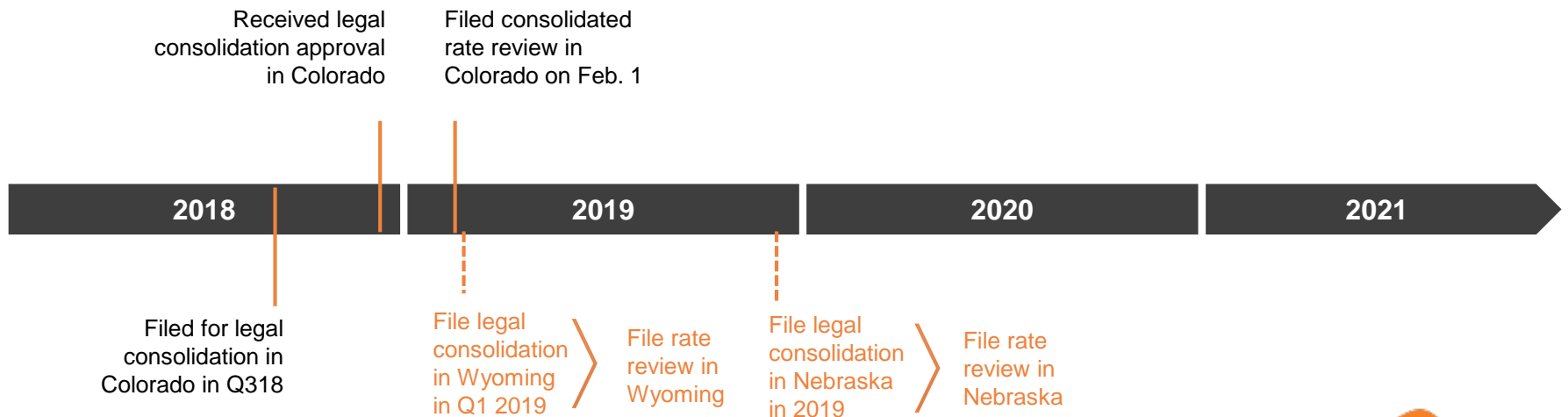
State	Status	Start Date	Annual Benefit to Customers (in millions)
Arkansas	Complete	October 2018	\$9.7
Colorado	Complete	July 2018	\$10.8
Iowa	Complete	July 2018	\$2.2
Kansas	Complete	April 2018	\$1.9
Nebraska	Complete	July 2018	\$3.8
South Dakota	Complete	October 2018	\$7.6
Wyoming	In Process	TBD	TBD

\* Requested amounts - not approved

# Jurisdiction Simplification



Colorado	Wyoming	Nebraska
<ul style="list-style-type: none"> <li>Colorado Gas</li> <li>Colorado Gas Distribution (formerly SourceGas)</li> </ul>	<ul style="list-style-type: none"> <li>Wyoming Gas</li> <li>Northeast Wyoming Gas</li> <li>Northwest Wyoming Gas</li> <li>Wyoming Gas Distribution (formerly SourceGas)</li> </ul>	<ul style="list-style-type: none"> <li>Nebraska Gas</li> <li>Nebraska Gas Distribution (formerly SourceGas)</li> </ul>
<ul style="list-style-type: none"> <li>Legal consolidation approved</li> <li>Filed consolidated rate review and integrity investment tracker on Feb. 1, 2019</li> </ul>	<ul style="list-style-type: none"> <li>Current need for rate review drives timing of simplification filings</li> <li>Expect to file request for legal consolidation in Q1 2019</li> <li>Expect to file consolidated rate review in second or third quarter 2019</li> </ul>	<ul style="list-style-type: none"> <li>Expect to file a legal consolidation request in 2019</li> <li>Expect to file consolidated rate review following legal consolidation</li> </ul>



# Renewable Ready Program

VALUED  
SERVICE

## Customer Benefit

- Program provides customer access to renewable energy
- Utility scale renewable generation provides more attractive economics than distributed projects
- Program structure maintains fair rates for all customers while keeping larger customers connected to Black Hills' systems

## Renewable Ready Program

- Joint application for new voluntary renewable energy tariff filed in South Dakota and Wyoming
- Will serve government agencies and larger commercial and industrial customers
- Can provide up to 100% of energy needs
- Contract periods of 5 years up to 25 years

## Corriedale Wind Energy Project

- Renewable energy to be supplied by \$57 million, 40-megawatt wind farm to be located near Cheyenne, Wyoming
- CPCN filed with Wyoming Public Service Commission on Dec. 17, 2018
  - Construction to be completed in 2020
  - Jointly-owned utility asset of South Dakota and Wyoming electric utilities



*Pictured: Happy Jack Wind Farm located near Cheyenne, Wyoming, serves Wyoming and South Dakota Electric (owned by Duke Energy)*



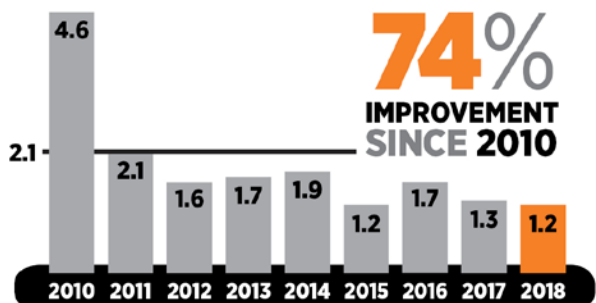
# Operational Excellence

Delivering safe and reliable service to our customers



## Enhanced Safety Performance

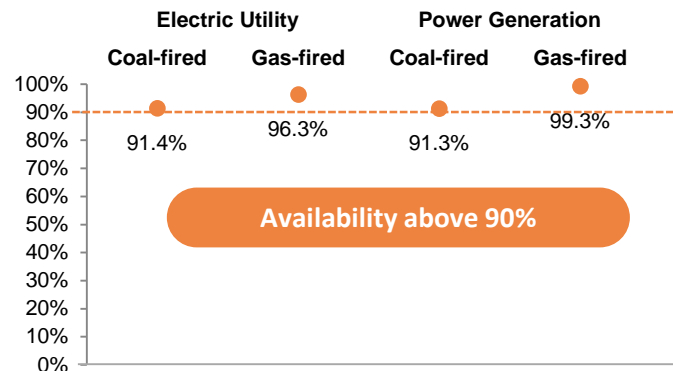
### Total Case Incident Rate



2018 data is YTD through Dec. 31, 2018. TCIR is defined as the average number of work-related injuries incurred by 100 workers during a one-year period.

## Reliable Generation Delivery

### Generation Contract Availability



**2017-2018 Average**  
(includes planned outages)

## Employee Recognition



On October 3rd representatives from South Dakota Electric accepted the Governor's Meritorious Achievement Award in Occupational Safety.



On October 19, Black Hills Energy (Nebraska Gas) Ambassadors were selected as the winners of the 2018 ServeNebraska Step Forward Corporate Community Volunteer award. Black Hills Energy's Ambassadors volunteered nearly 2,500 hours in over 40 communities to improve the lives of those in their communities with their own energy.

# 2019 Scorecard



## Strategy

- Meet growing customer demand through innovative tariffs and the construction of customer-focused, cost effective, rate-based utility assets
- Enhance reliability and customer satisfaction.
- Acquire small utility systems within or near existing service territories
- Invest in the replacement of existing utility infrastructure to maintain the safety and reliability of electric and gas systems.
- Cost effectively add renewable resources to energy supply portfolio
- Achieve top-tier operational performance in a culture of continuous improvement
- Improve efficiencies through continued deployment of technology
- Be the safest company in the energy industry
- Be one of the best places to work
- Improve the wellness of employees
- Be a workplace of choice for women and minorities

## 2019 Future Initiatives and Progress

- Increase annual dividend for 49th consecutive year
- Complete key capital projects
  - Rapid City to Stegall transmission line
  - Natural Bridge Pipeline
  - Busch Ranch II wind farm
- Jurisdiction simplification
  - Complete Colorado Gas rate review
  - Complete Wyoming Gas legal consolidation
  - File Wyoming Gas rate review
  - File Nebraska Gas legal consolidation
- Receive approval of 40 MW Corriedale Wind Energy Project in Wyoming and Renewable Ready voluntary program
- Receive approval to provide benefits of tax reform to Wyoming utility customers
- File for approval of CPCN to purchase Wygen I as recommended in Wyoming Electric IRP
- Improve eBill participation
- Reduce inbound customer calls
- Enhance web-based customer options
- Receive approval for Colorado Electric economic development tariff
- Enhance electric system reliability through implementation of distribution system integrity program
- Enhance gas utility system safety and reliability by completing 2019 programmatic capital projects
- Focus on improving productivity and reducing costs
- Continue to enhance functionality of tablet-based technology for field technicians
- Develop electric vehicle strategy for customers
- Complete planned plant maintenance to maintain strong long-term generation availability
- Enhance efficiency of financial, accounting and regulatory processes
- Implement program for achieving top-quartile third-party damage prevention for gas utilities by 2020
  - Reduce third-party gas line hits by 10%
- Achieve safety TCIR of 1.1
- Achieve PMVI rate of 1.7
- Achieve overall employee engagement survey score above U.S. and utility benchmarks
- Achieve 80% employee engagement in BHC Virgin Pulse wellness program
- Expand availability of diversity affinity groups to include support groups for women, American Indians, Hispanics and veterans
- Implement centralized training facility and program for natural gas utilities

- Completed
- Planned in 2019

# Questions



*Pictured from left: Black Hills Energy employees Harold Cummins and Jason Weber deliver energy solutions to our customers in Ogden, Iowa.*

# Appendix - Table of Contents

Corporate and Operations Overview

Electric Utilities

Gas Utilities

Capital Investment

Regulatory

Power Generation and Mining

Capital Structure and Debt Allocation

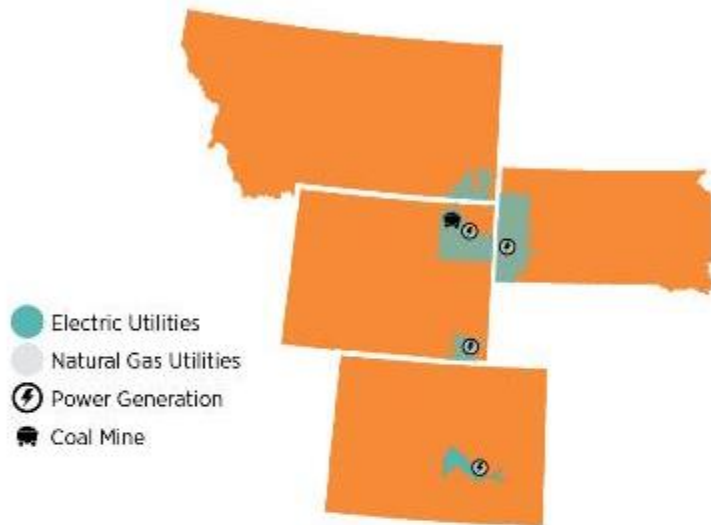
Income Statement

Non-GAAP information and reconciliations



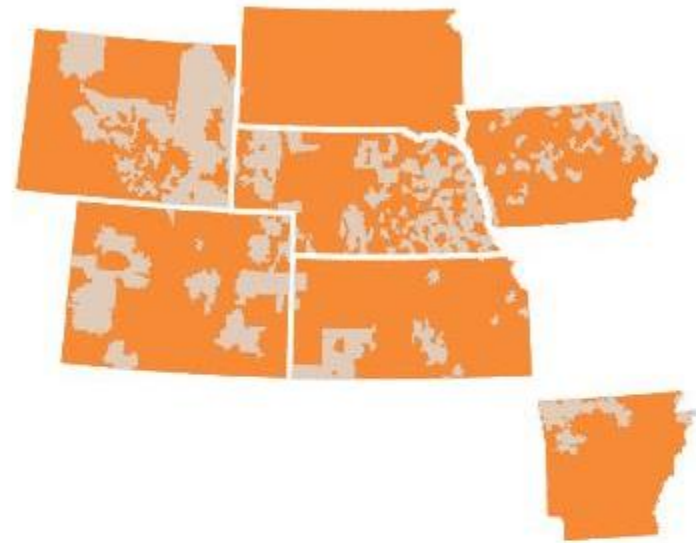
# Operations Overview

## Electric Utilities, Power Generation & Mining\*



- Three electric utilities which generate, transmit and distribute electricity to approximately 212,000 customers in CO, SD, WY and MT
- 1.1 gigawatts\*\* of generation and 8,858 miles of transmission and distribution
  - Five power generation facilities owned by utilities and serving utility customers (939 megawatts)
  - Three power generation facilities delivering capacity and energy under long-term contracts to utility affiliates (160 megawatts\*\*)
  - Efficient mine-mouth generation in WY fueled by low-sulfur Powder River Basin coal (46-year supply of reserves at current production); mine production contracted to on site generation
- East-West interconnection in SD optimizes off-system sale of power and improves system reliability (1 of only 7 east-west ties)

## Natural Gas Utilities\*



- 11 natural gas utilities^ which distribute natural gas to approximately 1,054,000 customers in AR, CO, IA, KS, NE and WY
- 4,700 miles of intrastate gas transmission pipelines and 41,158 miles of gas distribution mains and service lines
- Seven natural gas storage facilities in AR, CO and WY with 16.5 Bcf of underground gas storage working capacity
- 137,000 customers served through Choice Gas Program (unbundled natural gas supply) and Service Guard/CAPP programs (contract appliance repair service)

\* Information from 2018 Form 10-K

\*\* Excludes 49.9 percent ownership interest in Colorado IPP owned by a third party

^ Excludes minor entities and Shoshone pipeline

# Integrated Electric Utility

Efficient Mine-mouth Generation - Modern Natural Gas Generation - Clean Renewable Generation

## Gillette Energy Complex

(Gillette, Wyoming)

### Wyodak Mine

Efficient coal delivery to 785 MW of mine-mouth generation under life of plant coal contracts

Fixed price plus escalators<sup>^</sup>

- Wyodak
- Wygen I

Cost plus return<sup>^</sup>

- Wygen II
- Wygen III
- Neil Simpson

<sup>^</sup>See coal contracts overview for detail

### Mine-mouth Coal Plants

#### Wyodak

360 MW - 1978

20% owned by SDE  
(Operated by PacifiCorp)

#### Wygen I

90 MW - 2003

76.5% owned by Power Generation

#### Wygen II

95 MW - 2008

100% owned by WYE

#### Wygen III

110 MW - 2010

52% owned by SDE

#### Neil Simpson II

90 MW - 1995

100% owned by SDE

#### Neil Simpson Combustion Turbine (CT)

40 MW - 2000

100% owned by SDE

Centralized work force control centers and warehouse



## Cheyenne Prairie

(Cheyenne, Wyoming - CPGS)

### Combined-Cycle Gas-Fired Plant

95 MW - 2014

100% owned  
(42% WYE / 58% SDE)

### Gas-Fired Combustion Turbine

37 MW - 2014

100% owned by WYE

Centralized work force control center and warehouse



## Ben French

(Rapid City, SD - 100% owned by SDE)

### Gas-Fired Combustion Turbine

40 MW - 2002

### Combustion Turbines

80 MW gas/oil - 1977-79

10 MW oil - 1965



## Pueblo Airport Generating Station\*

(Pueblo, Colorado - PAGS)

### Combined-Cycle Gas-Fired Plants

Two 100 MW Plants - 2012

50.1%\* owned by Power Generation with 20-yr PPA to COE

### Simple Cycle Gas-Fired Plants

Two 90 MW plants - 2011

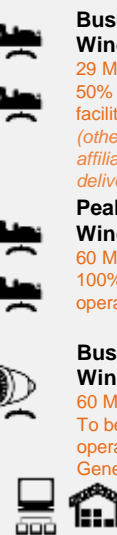
100% owned by COE

### Gas-Fired Combustion Turbine

40 MW - 2016

100% owned by COE

Centralized work force control center and warehouse



### Busch Ranch I Wind Farm

29 MW - 2012

50% owned and entire facility operated by COE (other 50% owned by affiliate entity; all energy delivered to COE)

### Peak View Wind Farm

60 MW - 2016

100% owned and operated by COE

### Busch Ranch II Wind Farm

60 MW - by 2019

To be 100% owned and operated by Power Generation



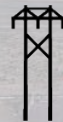
## Power Generation and Mining



939 MW of generation capacity owned by Electric Utilities

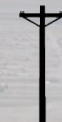
283 MW of generation capacity owned by Power Generation under long-term contracts to Electric Utilities

## Transmission Network



2,000 miles of electric transmission in SD, WY and CO

## Distribution Systems



7,000 miles of distribution in SD, WY and CO

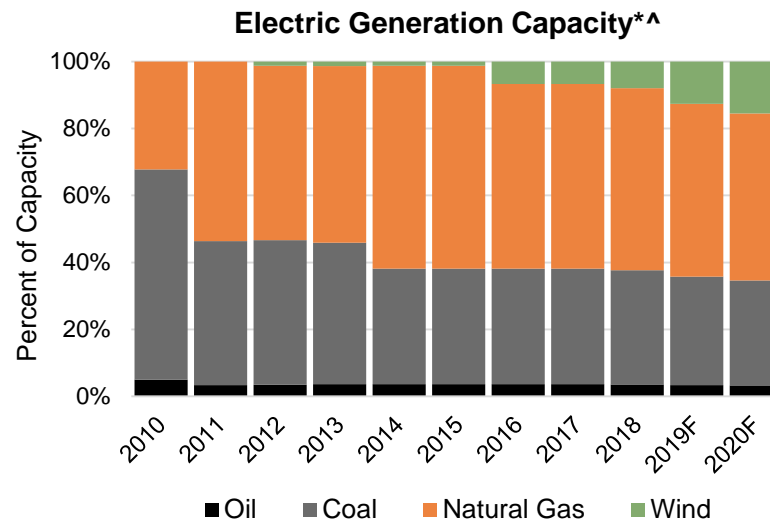
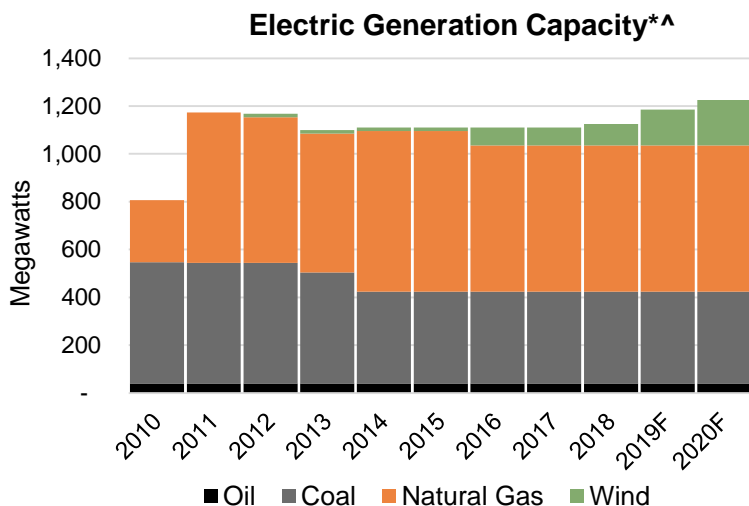


212,000 customers  
1,086 MW peak demand

\* 49.9% third party ownership of Black Hills Colorado IPP reported as noncontrolling interest  
Note: information listed as of Dec.31, 2018 from 2018 10-K Annual Report Filing; totals approximated

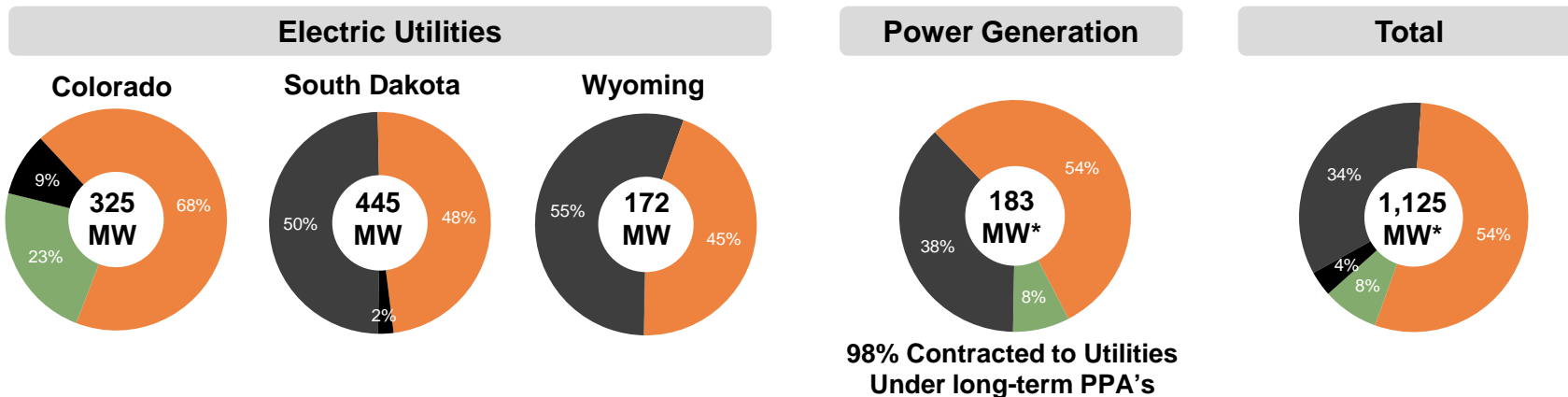


# Electric Generation Fuel Mix



## Black Hills Owned Generation Capacity Mix

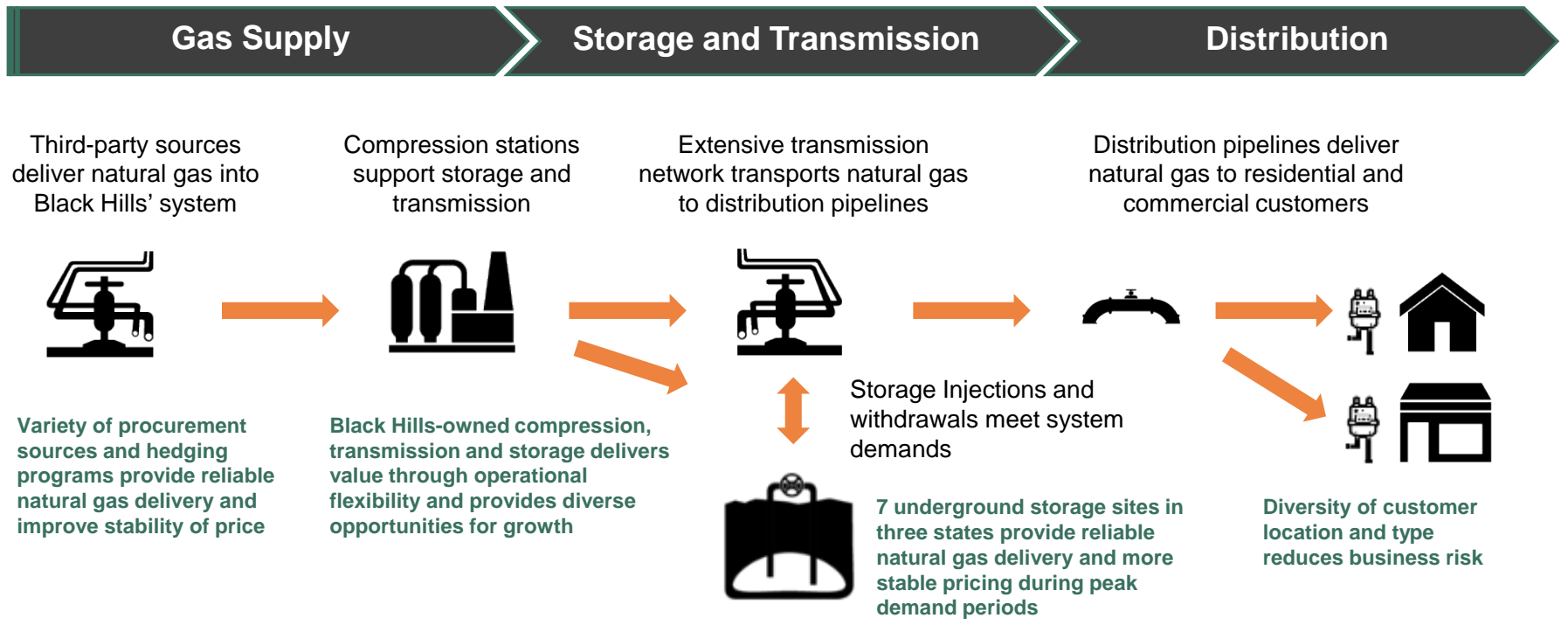
(Dec. 31, 2018)



\* Total Black Hills ownership includes utility-owned capacity and capacity owned by Power Generation segment excluding 49.9 percent ownership in Colorado IPP (~100 megawatts);

^ 2019F includes 60 megawatts of new wind from Busch Ranch II Wind Farm to be constructed in Colorado; 2020F includes 40 megawatts of new wind from Corriedale Wind Energy Project to be constructed in Wyoming, pending approval by WPSC

# Full Service Gas Utility



- Diverse procurement sources and hedging programs
- 600 miles of gathering lines
- 4,700 miles of intrastate transmission
- 45,000 horsepower of compression
- 7 natural gas storage sites in AR, CO and WY with over 52 million Mcf total capacity
- 148 million Dth natural gas transported and in 2018
- 29,000-mile natural gas distribution system
- 1.1 million customers with 12,000 miles of service lines
- 102 million Dth natural gas distributed to customers in 2018

Note: information as of Dec. 31, 2018 from 2018 10-K Annual Report Filing; totals approximated

# Natural Gas Infrastructure

Provides Investment Opportunities

1 million  
customers

29,000 miles  
of distribution

4,600 miles of  
transmission

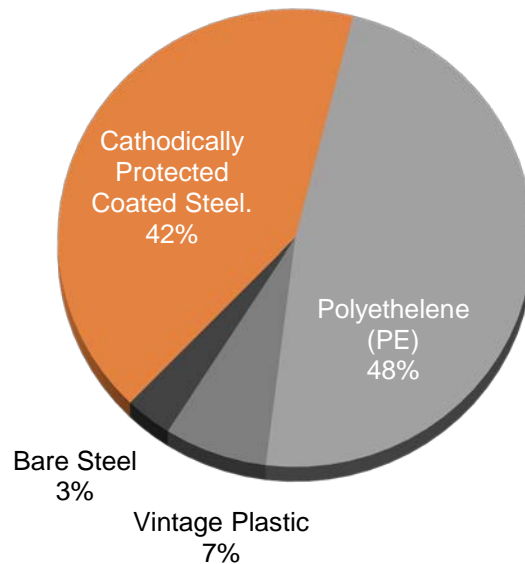
7 active  
storage fields

38  
compressors

2 natural gas  
processing plants

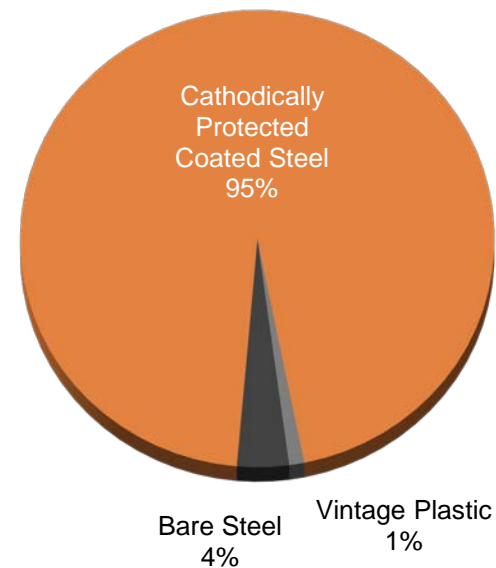
## Distribution System Material Type

(in Miles)



## Transmission System Material Type

(in Miles)

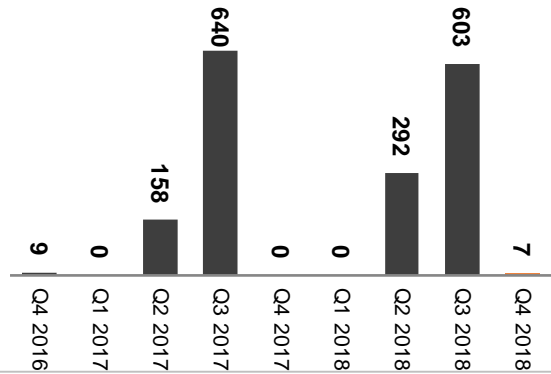


Note: information as of Dec. 31, 2017

# Utility Weather and Demand

## Electric Utility Cooling Degree Days

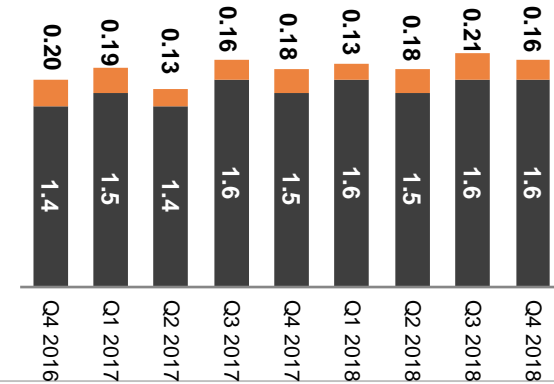
(Total for all electric service areas weighted by customer count)



## Electric Utility Total MWh Sales

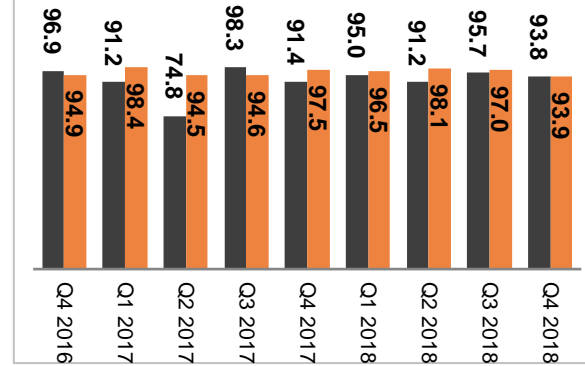
(in millions)

■ Utility Customers  
■ Off-system Sales



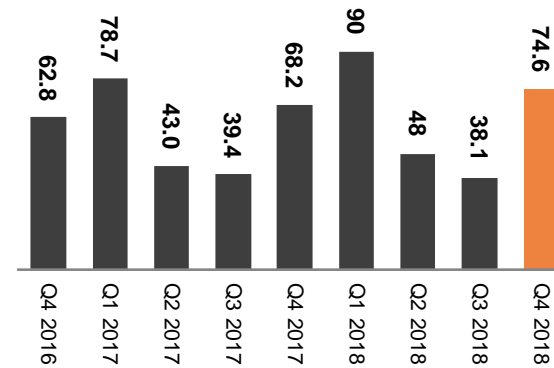
## Electric Utility Generation Availability(%)

■ Coal-fired plants  
■ Other plants



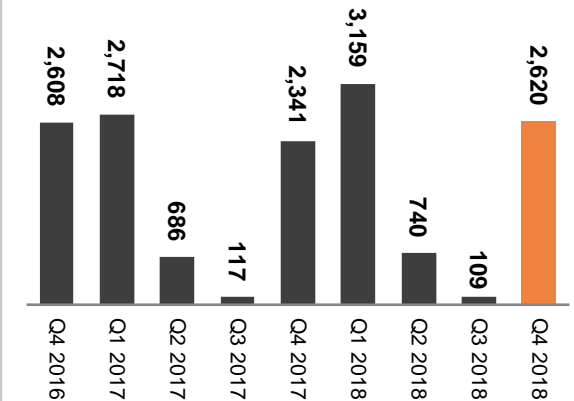
## Gas Utility Total Dth Sales

(in millions)



## Gas Utility Heating Degree Days

(Total for all gas service\* areas weighted by customer count)



\* Excludes KS HDD data since state has weather normalization

# Capital Investment

(in millions)

Capital Investment By Segment and Recovery	2018A	2019F	2020F	2021F	2022F	2023F
Minimal Lag Capital - Electric Utilities <sup>1</sup>	\$50	\$54	\$71	\$114	\$98	\$49
Growth Capital - Electric Utilities <sup>2</sup>	23	32	76	21	20	20
Other	80	115	66	56	41	67
<b>Electric Utilities</b>	<b>\$153</b>	<b>\$200</b>	<b>\$213</b>	<b>\$191</b>	<b>\$160</b>	<b>\$137</b>
Minimal Lag Capital - Gas Utilities <sup>1</sup>	150	255	174	181	156	127
Growth Capital - Gas Utilities <sup>2</sup>	65	50	45	45	47	46
Other	74	70	53	39	55	86
<b>Gas Utilities</b>	<b>\$288</b>	<b>\$374</b>	<b>\$273</b>	<b>\$264</b>	<b>\$257</b>	<b>\$259</b>
<b>Total Utilities</b>	<b>\$442</b>	<b>\$575</b>	<b>\$486</b>	<b>\$456</b>	<b>\$417</b>	<b>\$396</b>
Power Generation	38	72	9	8	10	4
Mining	19	8	7	11	10	7
Corporate	12	16	21	7	6	8
<b>Total</b>	<b>\$510</b>	<b>\$670</b>	<b>\$524</b>	<b>\$482</b>	<b>\$443</b>	<b>\$414</b>

Utility Capital Investment by Type	2018A	2019F	2020F	2021F	2022F	2023F
Safety, Reliability and other Integrity <sup>3</sup>	\$117	\$156	\$126	\$157	\$134	\$113
Growth <sup>2</sup>	23	32	76	21	20	20
General Plant	14	13	10	14	5	4
<b>Electric Utilities</b>	<b>\$153</b>	<b>\$200</b>	<b>\$213</b>	<b>\$191</b>	<b>\$160</b>	<b>\$137</b>
Safety, Reliability and other Integrity <sup>3</sup>	168	277	197	207	199	201
Growth <sup>2</sup>	65	50	45	45	47	46
General Plant	56	47	31	12	12	12
<b>Gas Utilities</b>	<b>\$288</b>	<b>\$374</b>	<b>\$273</b>	<b>\$264</b>	<b>\$257</b>	<b>\$259</b>
<b>Total Utilities</b>	<b>\$442</b>	<b>\$575</b>	<b>\$486</b>	<b>\$456</b>	<b>\$417</b>	<b>\$396</b>

Forecasted capital investment excludes additional opportunities from power generation or other material projects being evaluated for timing or where approvals may be required.

- 1 Minimal Lag Capital – investment with regulatory lag of less than one year or incurred during expected regulatory test periods
- 2 Growth Capital - generates immediate revenue on customer connections
- 3 Safety, Reliability and Integrity Capital – capital expenditures related to improving or maintaining system integrity

Note: Some totals may differ due to rounding; excludes discontinued operations in 2018

# Estimated Utility Rate Base

Estimated Rate Base* by Utility Segment (in millions)	2011	2012	2013	2014	2015	2016	2017	2018
Electric Utilities	\$1,007	\$1,272	\$1,248	\$1,487	\$1,515	\$1,570	\$1,650	\$1,706
Gas Utilities	\$443	\$450	\$454	\$489	\$493	\$1,620	\$1,700	\$1,851
<b>Total</b>	<b>\$1,450</b>	<b>\$1,722</b>	<b>\$1,702</b>	<b>\$1,976</b>	<b>\$2,008</b>	<b>\$3,190</b>	<b>\$3,350</b>	<b>\$3,557</b>

\* Estimated rate base determined at year-end and calculated using state specific requirements; includes capital expenditures through trackers but excludes construction work in progress



# Recent Utility Rate Review Results

Jurisdiction	Utility	Effective Date	Return on Equity	Capital Structure	Authorized Rate Base (in millions)
Arkansas	Arkansas Gas	Oct. 2018	9.61%	50.9% debt / 49.1% equity	\$451.5
Colorado	Colorado Electric	Jan. 2017	9.37%	47.61% debt / 52.39% equity	\$597.5
Colorado	Colorado Gas	Dec. 2012	9.60%	50% debt / 50% equity	\$57.5
Colorado	Colorado Gas Dist	Dec 2010	10.0%	49.52% debt / 50.48% equity	\$127.1
Colorado	RMNG	June 2018	9.9%	53.4% debt / 46.6% equity	\$118.7
Iowa	Iowa Gas	Feb. 2011	Global Settlement	Global Settlement	\$109.2
Kansas	Kansas Gas	Jan. 2015	Global Settlement	Global Settlement	\$127.4
Nebraska	Nebraska Gas	Sept. 2010	10.10%	48% debt / 52% equity	\$161.3
Nebraska	Nebraska Gas Dist	June 2012	9.60%	48.84% debt / 51.16% equity	\$87.6*
South Dakota	South Dakota Electric	Oct. 2014	Global Settlement	Global Settlement	\$543.9
Wyoming	South Dakota Electric	Oct. 2014	9.90%	46.68% debt / 53.32% equity	\$46.8
Wyoming	Wyoming Electric	Oct. 2014	9.90%	46% debt / 54% equity	\$376.8
Wyoming	Wyoming Gas	Oct. 2014	9.90%	46% debt / 54% equity	\$59.6
Wyoming	Wyoming Gas Dist	Jan. 2011	9.92%	49.66% debt / 50.34% equity	\$100.5
Wyoming	Wyoming Gas NW	Sept. 2018	9.60%	46% debt / 54% equity	\$12.9

Note: Information from last approved rate review in each jurisdiction

\* Includes amounts to serve non-jurisdictional and agriculture customers

# Optimizing Regulatory Recovery

Electric Utility Jurisdiction	Cost Recovery Mechanisms					
	Environmental Cost	DSM/ Energy Efficiency	Transmission Expense	Fuel Cost	Transmission Cap-Ex	Purchased Power
South Dakota Electric (SD)	☑*	☑	☑	☑	☑*	☑
South Dakota Electric (WY)		☑	☑	☑		☑
South Dakota Electric (MT)						
South Dakota Electric (FERC)					☑	
Wyoming Electric		☑	☑	☑		☑
Colorado Electric		☑	☑	☑	☑	☑

Legend:

☑ Commission approved cost adjustment

\* Included in rate moratorium; applies only to non-FERC jurisdictional assets

# Optimizing Regulatory Recovery

Gas Utility Jurisdiction	Cost Recovery Mechanisms							
	DSM/ Energy Efficiency	Integrity Additions	Bad Debt	Weather Normal	Pension Recovery	Fuel Cost	Revenue Decoupling	Fixed Cost Recovery*
Colorado Gas	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		47%
Iowa Gas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>		70%
Kansas Gas		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		64%
Nebraska Gas		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		55%
Wyoming Gas <sup>1</sup>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		52%
Arkansas Gas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	39%
Colorado Gas Dist.	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		36%
Nebraska Gas Dist.		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		80% <sup>3</sup>
Wyoming Gas Dist.						<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	52%
Rocky Mountain Natural Gas <sup>2</sup>	NA	<input checked="" type="checkbox"/>	NA	NA	NA	NA	NA	NA

Legend:

Commission approved cost adjustment

\* Residential customers as of last rate base review

<sup>1</sup> Refers to Cheyenne Light only

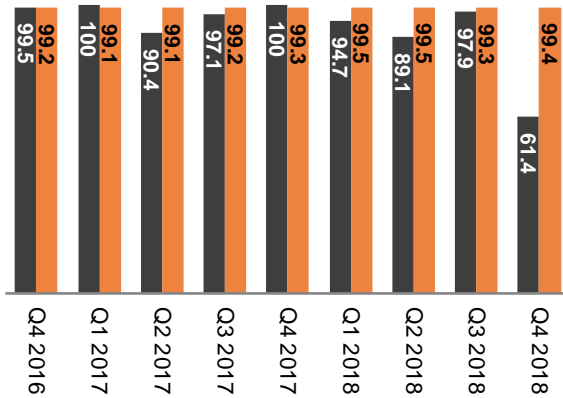
<sup>2</sup> Rocky Mountain Natural Gas, an intrastate natural gas pipeline

<sup>3</sup> Includes first tier of consumption in block rates

# Power Generation and Mining

## IPP Generation Contract Availability (%)

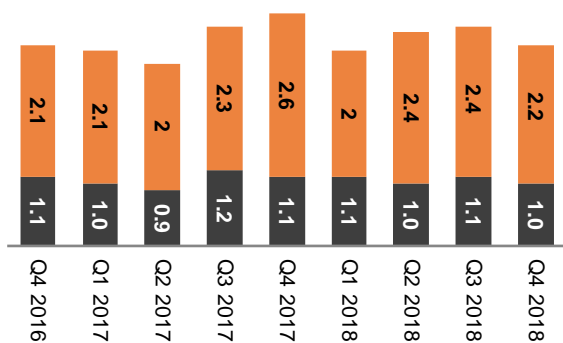
- Coal-fired plants
- Gas-fired plants



## Coal Production

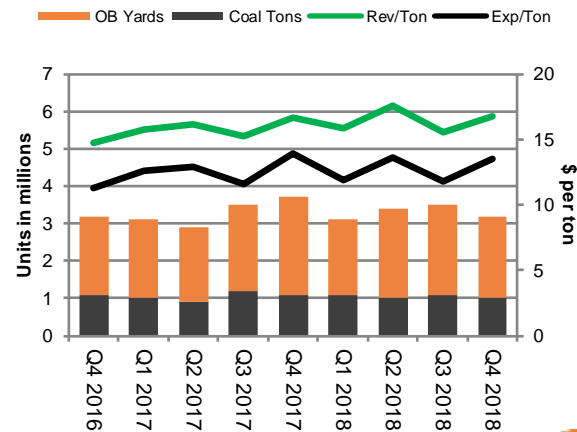
(Coal in millions of tons and overburden in millions of cubic yards)

- Coal Production
- Overburden Removed



## Revenue and Expense per Ton Sold

(Units = tons sold plus cubic yards of overburden moved)



# Power Generation - Supply Contracts

97% of owned capacity serves Black Hills' utilities\*

- Approximately 73% (200 megawatts) contracted through 2031 with Colorado Electric; accounted for as capital lease
- Approximately 22% (60 megawatts) contracted through 2022 with Wyoming Electric with option for utility to purchase ownership from power generation subsidiary

Plant	Owned Capacity	Contract Capacity	Counter-Party	Expiration	Other Terms
PAGS	200 MW	200 MW	Colorado Electric (COE)	Dec. 31, 2031	Excess power and capacity for benefit of COE
Wygen I	68.9 MW	60 MW	Wyoming Electric (WYE)	Dec. 31, 2022	WYE has Purchase Option through 2019
Busch Ranch I	14.5 MW	14.5 MW	Colorado Electric (COE)	Oct. 16, 2037	
<b>Total</b>	<b>283.4 MW</b>	<b>274.5 MW</b>			



\*Information from 2018 10-K Annual Report Filing.

Note: A third party owns a 49.9% non-operating ownership of Black Hills Electric Generation which is reported as noncontrolling interest

# Mining - Coal Contracts

98% of coal production serves mine-mouth generation

- Approximately 50% of coal production sold under contracts priced based on actual mining costs plus a return on mine capital investments
  - Price adjusted annually to include actual mining expenses plus return on capital equal to A-rated utility bonds plus 400 bps with 100% equity capital structure
- Remaining 50% of coal production sold primarily under contracts with price escalators using published indices
  - Wygen I - price reopens every 5 years and is based on cost plus a return
  - Wyodak Plant – price based on 12-month average PRB spot price of coal plus the avoided hypothetical cost of rail transportation and coal unloading facility (due to mine-mouth location)
    - ◆ Approximately 50 percent of coal price relates to avoided cost for rail and unloading facility and expect 2019 pricing for these components to be near or slightly higher than current pricing
    - ◆ Spot price of PRB coal represents other 50 percent of total price and current market indicates about 12 percent lower spot price of PRB coal

Plant	2019F Production (millions of tons)	Pricing	Price Reopener or Adjustment	Expiration	Contract Quantity
Wyodak Plant <i>(80% owned by PacifiCorp)</i>	1.4	Fixed with escalators	July 1, 2019	Dec. 2022	All plant usage
Wygen I	0.5	Fixed with escalators	July 1, 2023*	Life of plant	All plant usage
Wygen II	0.6	Cost plus return	Annual True-Up	Life of plant	All plant usage
Wygen III	0.5	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other SD Electric coal plants	0.8	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other sales <i>(truck)</i>	0.1	Fixed		1-3 years	Various
<b>Total</b>	<b>4.0</b>				

\* Wygen I contract pricing adjusts every five years at cost plus return

## Gillette Energy Complex

(Gillette, Wyoming)





# Capital Structure and Debt Allocation

(in millions, except for ratios)

## Capitalization

Short-term Debt  
Long-term Debt  
Total Debt

Equity\*

Total Capitalization

## Net Debt to Net Capitalization

Debt  
Cash and Cash Equivalents  
Net Debt  
Net Capitalization

Debt to Capitalization

Net Debt to Capitalization (Net of Cash)

Long-term Debt to Total Debt

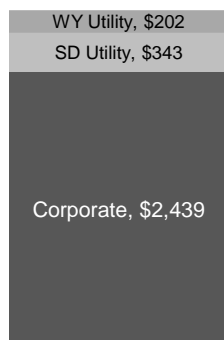
	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018
Short-term Debt	\$ 217	\$ 420	\$ 378	\$ 368	\$ 191
Long-term Debt	3,109	2,859	2,858	2,951	2,951
Total Debt	3,326	3,279	3,236	3,319	3,142
Equity*	1,709	1,819	1,819	1,813	2,182
Total Capitalization	\$ 5,035	\$ 5,098	\$ 5,054	\$ 5,132	\$ 5,324
Debt	\$ 3,326	\$ 3,279	\$ 3,236	\$ 3,319	\$ 3,142
Cash and Cash Equivalents	(15)	(31)	(9)	(10)	(21)
Net Debt	3,311	3,248	3,227	3,309	3,121
Net Capitalization	\$ 5,020	\$ 5,067	\$ 5,046	\$ 5,122	\$ 5,303
Debt to Capitalization	66.1%	64.3%	64.0%	64.7%	59.0%
Net Debt to Capitalization (Net of Cash)	66.0%	64.1%	64.0%	64.6%	58.9%
Long-term Debt to Total Debt	93.5%	87.2%	88.3%	88.9%	93.9%

## Long Term Debt Allocation

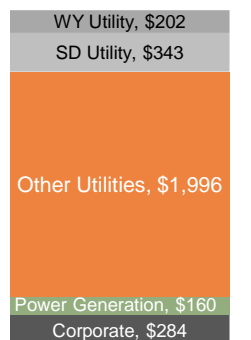
(As of Dec. 31, 2018)

- Goodwill of \$1,299 million funded 50% debt and 50% equity
- Unallocated of \$284 million: ~\$140M to be allocated for future capex spend and \$140M of variable-rate term loan

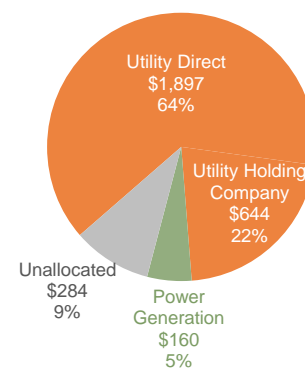
## Long Term Debt



## Debt Allocation



## Debt Allocation Type



\* Excludes noncontrolling interest

# Income Statement

(in millions, except earnings per share)

	4th Qtr		Full Year	
	2017	2018	2017	2018
Revenue	\$ 455.3	\$ 501.2	\$ 1,680.3	\$ 1,754.3
Gross margin	296.2	308.1	1,117.0	1,128.6
Operating expenses	(129.4)	(144.0)	(507.7)	(535.3)
DD&A	(47.6)	(50.0)	(188.2)	(196.3)
Subtotal	119.2	114.1	421.1	397.0
Acquisition costs	(2.0)	-	(4.4)	-
<b>Operating income</b>	<b>117.2</b>	<b>114.1</b>	<b>416.7</b>	<b>397.0</b>
Interest expense	(34.6)	(35.1)	(137.1)	(140.0)
Other income	0.1	0.7	2.1	(1.2)
Income before taxes	<b>82.7</b>	<b>79.7</b>	<b>281.7</b>	<b>255.8</b>
Income taxes	(14.8)	11.9	(73.4)	23.7
<b>Income from continuing operations</b>	<b>\$ 67.9</b>	<b>\$ 91.6</b>	<b>\$ 208.4</b>	<b>\$ 279.5</b>
Loss from discontinued operations, net of tax	<b>(13.6)</b>	<b>(1.3)</b>	<b>(17.1)</b>	<b>(6.9)</b>
<b>Net income before non-controlling interest</b>	<b>\$ 54.3</b>	<b>\$ 90.3</b>	<b>\$ 191.3</b>	<b>\$ 272.7</b>
Non-controlling interest	<b>(3.6)</b>	<b>(3.8)</b>	<b>(14.2)</b>	<b>(14.2)</b>
<b>Net Income available to common stock</b>	<b>\$ 50.7</b>	<b>\$ 86.6</b>	<b>\$ 177.0</b>	<b>\$ 258.4</b>
<b>Income from continuing operations available for common stock</b>	<b>\$ 64.3</b>	<b>\$ 87.8</b>	<b>\$ 194.1</b>	<b>\$ 265.3</b>
Non-GAAP adjustments	(10.4)	(26.8)	(8.8)	(68.8)
<b>Income from continuing operations, as adjusted (Non-GAAP)</b>	<b>\$ 53.9</b>	<b>\$ 61.0</b>	<b>\$ 185.3</b>	<b>\$ 196.5</b>
EPS - Net income available for common stock	<b>\$ 0.92</b>	<b>\$ 1.49</b>	<b>\$ 3.21</b>	<b>\$ 4.66</b>
EPS - Income from Cont. Ops avail. for common stock, as adjusted *	<b>\$ 0.98</b>	<b>\$ 1.05</b>	<b>\$ 3.36</b>	<b>\$ 3.54</b>
Diluted shares outstanding (in thousands)	54.9	58.3	55.1	55.5
<b>EBITDA, as adjusted*</b>	<b>\$ 167.0</b>	<b>\$ 164.9</b>	<b>\$ 611.4</b>	<b>\$ 592.2</b>

\* Non-GAAP measures; defined and/or reconciled to GAAP in Appendix and on slide 12

# Use of Non-GAAP Financial Measures

## Gross Margin

Our financial information includes the financial measure Gross Margin, which is considered a “non-GAAP financial measure.” Generally, a non-GAAP financial measure is a numerical measure of a company’s financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Gross Margin (Revenues less Cost of Sales) is a non-GAAP financial measure due to the exclusion of depreciation from the measure. The presentation of Gross Margin is intended to supplement investors’ understanding of our operating performance.

Gross Margin is calculated as operating revenue less cost of fuel, purchased power and cost of gas sold. Our Gross Margin is impacted by the fluctuations in power purchases and natural gas and other fuel supply costs. However, while these fluctuating costs impact Gross Margin as a percentage of revenue, they only impact total Gross Margin if the costs cannot be passed through to our customers.

Our Gross Margin measure may not be comparable to other companies’ Gross Margin measure. Furthermore, this measure is not intended to replace operating income as determined in accordance with GAAP as an indicator of operating performance.

## EBITDA and EBITDA, as adjusted

We believe that our presentation of earnings before interest, income taxes, depreciation and amortization (EBITDA) and EBITDA, as adjusted (EBITDA adjusted for special items as defined by management), both non-GAAP measures, are important supplemental measures of operating performance. We believe EBITDA and EBITDA, as adjusted, when considered with measures calculated in accordance with GAAP, give investors a more complete understanding of operating results before the impact of investing and financing transactions and income taxes. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of past and present operating results and as a means to evaluate the results of core on-going operations.

Our presentation of EBITDA may be different from the presentation used by other companies and, therefore, comparability may be limited. Depreciation and amortization expense, interest expense, income taxes and other items have been and will be incurred and are not reflected in the presentation of EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA does not consider capital expenditures and other investing activities and should not be considered a measure of our liquidity. We compensate for these limitations by providing relevant disclosure of our depreciation and amortization, interest and income taxes, capital expenditures and other items both in our reconciliation to the GAAP financial measures and in our consolidated financial statements, all of which should be considered when evaluating our performance.

*Note: continued on next page*

# Use of Non-GAAP Financial Measures

## Segment Revenue, Operating Income, Net Income Available for Common Stock and EPS, as adjusted

We have provided non-GAAP earnings data reflecting adjustments for special items as specified in the GAAP to non-GAAP adjustment reconciliation table in this presentation. Segment Revenue, as adjusted, Operating Income (loss), as adjusted, Income (loss) from continuing operations, as adjusted, and Net income (loss), as adjusted, are defined as Segment Revenue, Operating Income (loss), Income (loss) from continuing operations and Net income (loss), adjusted for expenses, gains and losses that the company believes do not reflect the company's core operating performance. The company believes that non-GAAP financial measures are useful to investors because the items excluded are not indicative of the company's continuing operating results. The company's management uses these non-GAAP financial measures as an indicator for evaluating current periods and planning and forecasting future periods.

## Earnings per share, as adjusted and earnings from continuing operations, per share, as adjusted

Earnings per share from continuing operations available for common stock, as adjusted, and earnings from continuing operations, per share, as adjusted, are Non-GAAP financial measures. Earnings per share, as adjusted, and earnings from continuing operations available for common stock, per share, as adjusted, are defined as GAAP Earnings per share and GAAP earnings from continuing operations, adjusted for expenses, gains and losses that the Company believes do not reflect the Company's core operating performance. Examples of these types of adjustments may include unique one-time non-budgeted events, impairment of assets, acquisition and disposition costs, and other adjustments noted in the earnings reconciliation tables in this presentation. The Company is not able to provide a forward-looking quantitative GAAP to Non-GAAP reconciliation for this financial measure because we do not know the unplanned or unique events that may occur later during the year.

## Limitations on the Use of Non-GAAP Measures

Non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of these non-GAAP financial measures should not be construed as an inference that our future results will not be affected by unusual, non-routine, or non-recurring items.

Non-GAAP measures should be used in addition to and in conjunction with results presented in accordance with GAAP. Non-GAAP measures should not be considered as an alternative to net income, operating income or any other operating performance measure prescribed by GAAP, nor should these measures be relied upon to the exclusion of GAAP financial measures. Our non-GAAP measures reflect an additional way of viewing our operations that we believe, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. Management strongly encourages investors to review our financial information in its entirety and not rely on a single financial measure.

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

### QTD - December 31, 2018

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Operating income (loss) (GAAP)	\$ 31,291	\$ 69,070	\$ 10,169	\$ 3,693	\$ (96)	\$ 114,127
Capital lease adjustment	1,505	—	(1,286)	—	(219)	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>32,796</b>	<b>69,070</b>	<b>8,883</b>	<b>3,693</b>	<b>(315)</b>	<b>114,127</b>
Significant Unique Items:						
Total adjustments	—	—	—	—	—	—
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 32,796</b>	<b>\$ 69,070</b>	<b>\$ 8,883</b>	<b>\$ 3,693</b>	<b>\$ (315)</b>	<b>\$ 114,127</b>

### YTD - December 31, 2018

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Operating income (loss) (GAAP)	\$ 149,544	\$ 185,239	\$ 48,312	\$ 16,340	\$ (2,398)	\$ 397,037
Capital lease adjustment	6,325	—	(5,698)	—	(627)	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>155,869</b>	<b>185,239</b>	<b>42,614</b>	<b>16,340</b>	<b>(3,025)</b>	<b>397,037</b>
Significant unique items:						
Total adjustments	—	—	—	—	—	—
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 155,869</b>	<b>\$ 185,239</b>	<b>\$ 42,614</b>	<b>\$ 16,340</b>	<b>\$ (3,025)</b>	<b>\$ 397,037</b>

# Use of Non-GAAP Financial Measures

## Net Income Available for Common Stock, as adjusted

(in thousands, after-tax)

### YTD - December 31, 2018

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Income (loss) from continuing operations available for common stock (GAAP)	\$ 78,940	\$ 160,284	\$ 20,777	\$ 12,899	\$ (7,571)	\$ 265,329
Capital lease adjustment	4,847	—	(4,366)	—	(481)	—
<b>Income (loss) from Cont. Ops. available for common stock w/o capital lease (Non-GAAP)</b>	<b>83,787</b>	<b>160,284</b>	<b>16,411</b>	<b>12,899</b>	<b>(8,052)</b>	<b>265,329</b>
Significant unique items:						
Tax reform and other tax items	4,228	(73,890)	707	481	(306)	(68,780)
Total adjustments	4,228	(73,890)	707	481	(306)	(68,780)
<b>Income (loss) from continuing operations, as adjusted (Non-GAAP)</b>	<b>\$ 88,015</b>	<b>\$ 86,394</b>	<b>\$ 17,118</b>	<b>\$ 13,380</b>	<b>\$ (8,358)</b>	<b>\$ 196,549</b>

### YTD - December 31, 2017

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Income (loss) from continuing operations available for common stock (GAAP)	\$ 110,082	\$ 65,795	\$ 46,479	\$ 14,386	\$ (42,609)	\$ 194,133
Capital lease adjustment	4,478	—	(4,080)	—	(398)	—
<b>Income (loss) from Cont. Ops. available for common stock w/o capital lease (Non-GAAP)</b>	<b>114,560</b>	<b>65,795</b>	<b>42,399</b>	<b>14,386</b>	<b>(43,007)</b>	<b>194,133</b>
Significant unique items:						
Acquisition costs	—	—	—	—	2,832	2,832
Tax reform and other tax items	(23,371)	2,750	(23,784)	(2,678)	35,402	(11,681)
Total adjustments	(23,371)	2,750	(23,784)	(2,678)	38,234	(8,849)
<b>Income (loss) from continuing operations, as adjusted (Non-GAAP)</b>	<b>\$ 91,189</b>	<b>\$ 68,545</b>	<b>\$ 18,615</b>	<b>\$ 11,708</b>	<b>\$ (4,773)</b>	<b>\$ 185,284</b>



# Use of Non-GAAP Financial Measures

## Earnings Per Share Analysis

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY-2017	FY-2018
<b>Net income available for common stock (GAAP)</b>	\$ 0.92	\$ 2.46	\$ 0.40	\$ 0.31	\$ 1.49	\$ 3.21	\$ 4.66
Loss from discontinued operations, after-tax (GAAP)	0.25	0.04	0.04	0.02	0.02	0.31	0.12
Rounding	-	-	0.01	(0.01)	-	-	-
<b>Net Income from continuing operations available for common stock (GAAP)</b>	\$ 1.17	\$ 2.50	\$ 0.45	\$ 0.32	\$ 1.51	\$ 3.52	\$ 4.78
<b>Adjustments</b>							
Acquisition costs	0.04	—	—	—	—	0.08	—
Tax reform and other tax items	(0.21)	0.04	—	0.10	(0.06)	(0.21)	0.07
Legal restructuring - income tax benefit	—	(0.91)	—	—	(0.40)	—	(1.31)
	(0.17)	(0.87)	—	0.10	(0.46)	(0.13)	(1.24)
<b>Taxes on adjustments</b>							
Acquisition costs	(0.01)	—	—	—	—	(0.03)	—
	(0.01)	—	—	—	—	(0.03)	—
Rounding	(0.01)	—	—	—	—	—	—
Total adjustments, net of tax	(0.19)	(0.87)	—	0.10	(0.46)	(0.16)	(1.24)
<b>Net Income from continuing operations available for common stock, as adjusted (Non-GAAP)*</b>	\$ 0.98	\$ 1.63	\$ 0.45	\$ 0.42	\$ 1.05	\$ 3.36	\$ 3.54

# Use of Non-GAAP Financial Measures

Earnings Per Share, as adjusted	2015	2016	2017	2018
<b>Net income (loss) available for common stock (GAAP)</b>	<b>\$ (0.71)</b>	<b>\$ 1.37</b>	<b>\$ 3.21</b>	<b>\$ 4.66</b>
<b>(Income) loss from discontinued operations (GAAP)</b>	<b>3.83</b>	<b>1.20</b>	<b>0.31</b>	<b>0.12</b>
<b>Net income (loss) available for common stock (excluding discontinued operations)</b>	<b>3.12</b>	<b>2.57</b>	<b>3.52</b>	<b>4.78</b>
<u>Adjustments (after tax)</u>				
Interest rate swaps - MTM	-	-	-	-
Costs associated with prepayment of BHW project financing (Net of interest savings)	-	-	-	-
Financing costs, net of interest savings (\$250M bond payoff)*	-	-	-	-
Acquisition / integration costs	0.15	0.56	0.05	-
Tax reform and other tax items	-	-	(0.21)	0.07
Legal restructuring - income tax benefit	-	-	-	(1.31)
<b>Total Non-GAAP adjustments</b>	<b>0.15</b>	<b>0.56</b>	<b>(0.16)</b>	<b>(1.24)</b>
<b>Net income available for common stock (excluding discontinued operations); as adjusted (Non-GAAP)</b>	<b>\$ 3.27</b>	<b>\$ 3.13</b>	<b>\$ 3.36</b>	<b>\$ 3.54</b>

# Use of Non-GAAP Financial Measures

## EBITDA

<i>(in thousands)</i>	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2017	2018	2017	2018
Income from continuing operations	\$ 67,835	\$ 91,604	\$ 208,375	\$ 279,549
Depreciation, depletion and amortization	47,610	49,983	188,246	196,328
Interest expense, net	34,643	35,149	137,102	139,975
Income tax expense (benefit)	14,849	(11,883)	73,367	(23,667)
<b>EBITDA (a Non-GAAP Measure)</b>	<b>164,937</b>	<b>164,853</b>	<b>607,090</b>	<b>592,185</b>
Less adjustments for unique items:				
Acquisition costs	2,044	—	4,356	—
<b>EBITDA, as adjusted</b>	<b>\$ 166,981</b>	<b>\$ 164,853</b>	<b>\$ 611,446</b>	<b>\$ 592,185</b>

# VISION

Be the Energy Partner of Choice.

# MISSION

Improving Life with Energy.

## COMPANY VALUES



### Agility

We embrace change and challenge ourselves to adapt quickly to opportunities.



### Customer Service

We are committed to providing a superior customer experience every day.



### Partnership

Our partnerships with shareholders, communities, regulators, customers and each other make us all stronger.



### Communication

Consistent, open and timely communication keeps us focused on our strategy and goals.



### Integrity

We hold ourselves to the highest standards based on a foundation of unquestionable ethics.



### Respect

We respect each other. Our unique talents and diversity anchor a culture of success.



### Creating Value

We are committed to creating exceptional value for our shareholders, employees, customers and the communities we serve...always.



### Leadership

Leadership is an attitude. Everyone must demonstrate the care and initiative to do things right.



### Safety

We commit to live and work safely every day.



**BKH 2018**



To see more ways we're Improving Life with Energy, visit [www.blackhillscorp.com](http://www.blackhillscorp.com).